

آئل اینڈ گیس  
ریگولیٹری اتھارٹی



Oil & Gas  
Regulatory Authority

Case No. OGRA-6(2)-2(4)/2021-ERR

IN THE MATTER OF

SUI SOUTHERN GAS COMPANY LIMITED  
DETERMINATION OF ESTIMATED REVENUE REQUIREMENT,  
FY 2022-23

UNDER

SECTION 8 (1) OF THE OIL AND GAS REGULATORY  
AUTHORITY ORDINANCE, 2002 AND  
RULE 4 (2) OF NATURAL GAS TARIFF RULES, 2002

DECISION

ON

JUNE 03, 2022

Before:

Mr. Masroor Khan, Chairman

Mr. Muhammad Arif, Member (Gas)

Mr. Zainul Abideen Qureshi, Member (Oil)

  
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## TABLE OF CONTENT

<b>1. Background</b>	<b>1</b>
<b>2. Salient Features of the Petition</b>	<b>2</b>
<b>3. Public Hearings Proceedings</b>	<b>3</b>
<b>4. Authority's Jurisdiction and Determination Process</b>	<b>6</b>
<b>5. Operating Fixed Assets</b>	<b>8</b>
i. Summary of Additions during the year	8
ii. Buildings	8
iii. Gas Transmission Pipelines	10
iv. RLNG Projects	13
v. Compressors	15
vi. RLNG Projects	17
vii. Gas Distribution System	18
viii. Plant and Machinery	25
ix. Furniture; Security & Office Equipment and Computer & Allied Equipment	25
x. Computer Software (Intangible)	26
xi. LPG Air-Mix Projects	26
xii. Telecommunication System	26
xiii. Appliances, Loose Tools & Equipment	26
xiv. Vehicles	27
xv. Fixed Assets Determined by the Authority	28
xvi. Depreciation and ROA	28
<b>6. Operating Revenues</b>	<b>29</b>
i. Sales Volume	29
ii. Sales Revenue at Existing Prices	30
iii. Other Operating Income	30
iv. Other Income	31
<b>7. RLNG Cost of Service</b>	<b>32</b>
<b>8. Operating Expenses</b>	<b>33</b>
<b>9. Unaccounted for Gas (UFG)</b>	<b>34</b>
<b>10. Gas Internally Consumed (GIC)</b>	<b>38</b>
<b>11. Transmission and Distribution Cost</b>	<b>39</b>
i. Summary	39
ii. Human Resource (HR) Cost	40
iii. Meter reading by Contractors	41
iv. Postage & Bill deliver by Contractor	42
v. Stores Spares and Supplies Consumed	43
vi. Gas Bill Collection Charges	43
vii. Professional Charges	44
viii. Other Charges	45
ix. Repair & Maintenance	46
x. Remaining Items of Transmission and Distribution Cost	46
<b>12. Other Charges</b>	<b>48</b>
i. Provision for Doubtful Debts	48
<b>13. Determinations</b>	<b>49</b>
<b>14. General Directions</b>	<b>51</b>
<b>15. Public Critique, Views, Concerns, Suggestions</b>	<b>51</b>
<b>Annexures</b>	<b>52</b>
<b>A. Computation of Estimated Revenue Requirement for the Said Year</b>	<b>53</b>
<b>B. Existing Category-wise Sale Price &amp; Provisional Prescribed Prices for FY 2022-23</b>	<b>54</b>
<b>C. HR Benchmark for FY 2022-23</b>	<b>54</b>

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## TABLES

Table 1: Projected Cost of Service per the Petition .....	1
Table 2: Comparison of Projected Operating Revenues with Previous Years.....	2
Table 3: Comparison of Projected Operating Expenses with Previous Years.....	3
Table 4: Computation of Requested Average Increase in Prescribed Price.....	3
Table 5: Summarized Schedule of Projected Additions Compared with Previous Years. ....	8
Table 6: Requested Additions to Transmission Pipeline Network.....	10
Table 7: Additions to Transmission Pipeline Network.....	15
Table 8: Requested Additions to Compressors.....	16
Table 9: Additions to Compressors as Determined by the Authority.....	18
Table 10: Requested Additions to Distribution Network.....	19
Table 11: Additions to Distribution Network as Determined by the Authority.....	24
Table 12: Summary of Asset Additions Determined by the Authority.....	28
Table 13: Comparison of Projected Sales Volume with Previous Years.....	29
Table 14: Comparison of Projected Sales Revenue at Prescribed Price with Previous Years.....	30
Table 15: Comparison of Projected Other Operating Income with Previous Years.....	31
Table 16: Comparison of Projected Other Income with Previous Years.....	32
Table 17: Summary of Other Operating Income as Allowed.....	32
Table 18: Breakup of RLNG - Cost of Service.....	33
Table 19: Breakup of RLNG Cost of Service / Supply.....	33
Table 20: SSGCL's WACOG Parameters.....	34
Table 21: Revised parameters .....	35
Table 22: Unaccounted for Gas .....	38
Table 23: Detail of Gas Internally Consumed (GIC) .....	39
Table 24: Comparison of Projected T&D Cost with the Previous Years.....	40
Table 25: HR Allowed by the Authority.....	41
Table 26: Comparison of Projected Meter Reading by Contractors with the Previous Years.....	42
Table 27: Meter Reading by Contractors Allowed by the Authority.....	42
Table 28: Comparison of Projected Postage & Bill deliver by Contractor with Previous Years.....	43
Table 29: Postage & Bill deliver by Contractor Allowed by the Authority.....	43
Table 30: Comparison of Projected Stores Spares and Supplies Consumed with Previous years.....	44
Table 31: Stores Spares & Supplies Consumed Allowed by the Authority.....	44
Table 32: Comparison of Projected Gas Bill Collection Charges with Previous Years.....	45
Table 33: Gas Bill Collection Charges Allowed by the Authority.....	45
Table 34: Comparison of Projected Professional Charges with the Previous Years.....	45
Table 35: Professional Charges Allowed by the Authority.....	46
Table 36: Comparison of Projected Other charges with the Previous Years.....	46
Table 37: Other Charges Allowed by the Authority.....	47
Table 38: Comparison of Remaining Item of Projected T&D Expense with Previous Years.....	47
Table 39: Summary of T&D Cost Allowed by the Authority.....	48
Table 40: Comparison of Projected Other Charges with Previous Years .....	48
Table 41: Comparison of Projected Provision for Doubtful Debts with Previous Years.....	49
Table 42: Others Charges Allowed by the Authority.....	49
Table 43: Components of ERR for the said year as Allowed .....	50

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## 1. Background

- 1.1 Sui Southern Gas Company Limited (the petitioner) is a public limited company incorporated in Pakistan and is listed on Pakistan Stock Exchange Ltd. The petitioner is operating in the provinces of Sindh and Balochistan under the license granted by the Oil & Gas Regulatory Authority. It is engaged in the construction and operation of gas transmission and distribution pipelines and sale of natural gas. However, petitioner's exclusive right to operate in the franchised areas had ended on 30<sup>th</sup> June, 2010.
- 1.2 The petitioner filed a petition on February 14, 2022, under Section 8 (1) of the Oil and Gas Regulatory Authority Ordinance, 2002 (the Ordinance) and Rule 4(2) of Natural Gas Tariff Rules, 2002 (NGT Rules). Subsequently, the petitioner submitted an amended petition on March 09, 2022, segregating revenue requirements in terms of Transmission, Distribution and Sales activities. The petitioner has requested the determination of Estimated Revenue Requirement (DERR) for FY 2022-23 (the said year) at Rs. 291,335 million (the amounts have been rounded off to the nearest million here and elsewhere in this document), and the shortfall for the said year has been requested at Rs. 88,798 million including Rs. 1,373 million (Rs. 4.85 per MMBTU) on account of Air-mix LPG Projects. Accordingly, the petitioner has requested to increase the current prescribed price of Rs. 699.29/MMBTU to Rs. 1,013.02/MMBTU (increase of Rs. 313.73/MMBTU) w.e.f July 01, 2022.
- 1.3 The petitioner has also claimed RLNG cost of service at Rs. 7,610 million (Rs. 16.47 per MMBTU) for the said year. The Authority observes that the supply of RLNG is a ring-fenced activity as per the decision of the Federal Government (FG). Accordingly, the instant determination is being done to the extent of the revenue requirement on account of the supply of indigenous gas to its consumers. Further, the cost of service on account of dispatch of RLNG to SNGPL as well as supplying to petitioner's own consumers is also part of this determination, recoverable from RLNG consumers as part of monthly RLNG prices, as per prevalent policy guidelines issued by the FG.
- 1.4 The petitioner has submitted the following statement of cost of service:

**Table 1: Projected Cost of Service per the Petition**

Particulars	FY 2022-23		
	Transmission	Distribution & Sale Activity	The Petition
Units sold (BBTU)			283,040
	Rs. in million		
Cost of gas sold	-	263,598	263,598
Transmission and distribution cost	5,384	19,796	25,180
Depreciation	1,212	7,032	8,244
UFG adjustment on RLNG volume handled basis (ring fence)	-	(15,021)	(15,021)
Return on net average operating fixed assets	3,017	4,944	7,962
Other operating income	(282)	(4,329)	(4,611)
Subsidy for LPG Air-Mix Project	-	1,373	1,373
Cost of service/prescribed price	9,331	277,394	286,724
Current average prescribed price	-	197,926	197,926
			88,798
Increase requested in average prescribed price (Rs./MMBTU)			313.73

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- 1.5 The Authority admitted the petition under Rule 5 of NGT Rules, as a prima facie case for evaluation and consideration by the Authority.
- 1.6 A notice inviting interventions / comments on the petition from all stakeholders was published in daily local newspaper on March 20, 2022. The Authority received intervention requests from the following parties:
- All Pakistan Textile Processing Mills Association (APTPMA).
  - Karachi Chamber of Commerce and Industry (KCCI).
- 1.7 The Authority accepts the same for intervention. Public hearing notices were published in the national press. Accordingly, public hearings were held on April 5 & 7, 2022, at Quetta and Karachi respectively.

## 2. Salient Features of the Petition

- 2.1 The petitioner has made the following main submissions:
- 2.1.1 The petitioner has claimed on annual return at the rate of 16.79% on net fixed assets in operation, calculated in pursuance of parameters provided in the new tariff regime implemented effective FY 2018-19.
- 2.1.2 The petitioner has claimed addition to assets at Rs. 32,560 million and depreciation at Rs. 8,493 million resulting in claimed increase in net operating fixed assets from Rs. 45,997 million for FY 2021-22 to Rs. 70,064 million during the said year. The petitioner has further contended that, after adjustment of deferred credits, and assets related to the LPG Air-Mix project, meter manufacturing plant, liquid handling facility for gas condensate in accordance with the principles set in the new tariff regime. Accordingly, net average operating fixed assets eligible for return workout to Rs. 47,419 million and required return to Rs. 7,962 million calculated at 16.79%.
- 2.2 The petitioner has projected operating revenues at Rs. 202,537 million, as detailed below, compared with previous years:

**Table 2: Comparison of Projected Operating Revenues with Previous Years**

Particulars	Rs. in million						
	FY 2019-20	FY 2021-22	FY 2022-23			Inc./(Dec.) over RERR for FY 2021-22	
	FRR	RERR	The Petition	Transmission	Distribution & Sale Activities	Rs.	%
Net sales at current prescribed prices	206,313	227,426	197,926	-	197,926	(29,500)	(13)
Late Payment Surcharge	1,697	1,026	1,061	-	1,061	35	3
Meter Manufacturing Profit	7	30	74	-	74	44	148
Sale of LPG/NGL	129	-	-	-	-	-	-
Sale of Gas Condensate	(8)	(5)	(1)	(3)	1	4	(70)
Meter rentals	796	1,672	1,726	-	1,726	55	3
Amortization of deferred credits	549	596	584	-	584	(12)	(2)
Other income	2,381	1,776	1,167	285	882	(608)	(34)
<b>Net Operating Revenue</b>	<b>211,863</b>	<b>232,520</b>	<b>202,537</b>	<b>282</b>	<b>202,255</b>	<b>(29,983)</b>	<b>(13)</b>

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- 2.3 The petitioner has projected operating expenses at Rs. 282,000 million, as detailed below, compared with previous years:

**Table 3: Comparison of Projected Operating Expenses with Previous Years**

Description	Rs. in million						
	FY 2019-20	FY 2021-22	FY 2022-23			Inc / (Dec) over RERR for FY 2021-22	
	FRR	RERR	The Petition	Transmission	Distribution & Sale Activities	Rs.	%
Cost of gas	241,671	247,043	263,598	-	263,598	16,555	6.7
Depreciation	6,182	7,024	8,244	1,212	7,032	1,220	17
Transmission and Distribution Costs	17,383	16,532	21,458	4,479	16,978	4,926	30
Other charges including WPPF	4,015	940	2,836	18	2,818	1,896	202
Gas Internally Consumed	644	598	886	886	-	288	48
UFG Adjustment	(22,385)	(13,270)	-	-	-	13,270	(100)
UFG adjustment on RLNG volume handled basis (ring fenced)	-	-	(15,021)	-	(15,021)	(15,021)	100
Staggering of Financial Impact on account of SHC Order	(7,344)	-	-	-	-	-	-
<b>Net Operating Expenses</b>	<b>240,167</b>	<b>258,867</b>	<b>282,000</b>	<b>6,595</b>	<b>275,405</b>	<b>23,133</b>	<b>9</b>

- 2.4 The petitioner has projected its weighted average input cost of gas for the said year at Rs. 754.63/MMCF. The cost of gas is linked with international prices of Crude and HSFO according to the Gas Pricing Agreements (GPAs) executed between the producers and GoP.
- 2.5 The petitioner has claimed a subsidy amounting to Rs. 1,373 million on account of its Air-mix LPG Projects.
- 2.6 The shortfall in the projected revenue requirement after computing 16.79% return on average net operating fixed assets is estimated at Rs. 88,798 million, requiring an increase of Rs. 313.73 per MMBTU in the existing average prescribed price, as detailed below:

**Table 4: Computation of Requested Average Increase in Prescribed Price**

Particulars	FY 2022-23
	The Petition
<b>A Net Operating Revenues</b>	202,537
less: Net operating expenses excluding ROA	282,000
Subsidy Air Mix LPG Project	1,373
<b>B Total Expenses</b>	283,374
<b>C Shortfall</b> $\{(B) - (A)\}$	80,836
<b>D Return required @ 16.79% on net fixed assets in operation</b>	7,962
<b>E Total shortfall in revenue requirement (D + C)</b>	88,798
<b>F Sale volume (BBTU)</b>	283,040
<b>G Increase requested in existing average prescribed price Rs./MMBTU (E/F*1000)</b>	313.73

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### 3. Public Hearings Proceedings

#### Public Hearing at Quetta and Karachi

3.1 The following interveners / participants presented their views:

**Petitioner:**

- i) Petitioner's team led by Mr. Imran Maniar, Managing Director.

**Participants at Karachi & Quetta:**

- i) Mr. Sameer Gulzar, Chairman, All Pakistan CNG Association.
- ii) Mr. Tanveer Bari, Karachi Chamber of Commerce & Industry.
- iii) Malik Khuda Baksh, Chairman, CNG Stations Owners Association.
- iv) Mr. Abdul Sami Khan, Chairman, CNG Owners Association.
- v) Mr. Zubair Motiwala, Former Chairman KCCI.
- vi) Mr. M. Aamir Chirra, Dy. Chairman KCCI.
- vii) Mr. Arif Bilwani, Consumer.

3.2 During the hearing, the petitioner made submissions in detail with the help of a multimedia presentation explaining the major reasons for its claims including T&D expenses and fixed assets. The crux of the same is as under:

- 3.2.1 The petitioner has informed the company's achievements during the last year. Certain areas were highlighted for bringing improvement in the system as going concern. It was informed that so as to reduce UFG, it has segregated the industrial mains from other distribution network for better monitoring and reconciliation of gas supply and consumption.
- 3.2.2 It was also highlighted that the company has booked 1,368 MMCF volume against the gas pilferers and accordingly lodged one hundred FIRs against them. In addition, illegal suction compressors have been removed to improve gas pressures at the tail ends of the network. Similarly, defective EVCs, Modems, and TBS are being replaced / installed.
- 3.2.3 It was requested to OGRA to allow capital in principle as it shall not impact consumers' price unless the same are executed by the petitioner.
- 3.2.4 The petitioner has highlighted the matter of high UFG in Baluchistan. It was requested that FG should share the burden of loss which the company is facing while fulfilling FG's socio-economic agenda.
- 3.2.5 The company raised the issue of estimated 5-7 lac non-consumers mainly in Karachi, which accounts for UFG of about 10 BCF annually. The petitioner explained that it has taken various steps including meetings with honourable Sindh Chief Minister, and officials of Sindh Building Control Authority (SBCA) for allowance of gas connection.
- 3.2.6 It was also highlighted that tempering in meters is very high in Balochistan.
- 3.2.7 It was highlighted that extensive efforts have been carried out for reduction in UFG. The company has been successful in reducing the UFG volume of 13 BCF against the target of 10.4 BCF.
- 3.2.8 It was explained that strict actions were also taken for gas theft consumers.
- 3.2.9 It was also requested to allow the replacement of faulty meters in Baluchistan and Sindh to reduce the UFG. It was also highlighted that company is trying to

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- regularize almost 0.7 million customers, which were using illegal gas in Karachi for recovery of gas usage after getting approval from the Board of Directors.
- 3.2.10 It was requested the Authority to allow RLNG handling volumes since it is affecting the company's financial position.
- 3.2.11 The petitioner has also pointed out that long outstanding receivable of KE & Pakistan Steel Mills causing cash flow problems for the company.
- 3.2.12 It was requested OGRA to allow capital jobs in principle, which will not impact consumers until and unless the same are executed.
- 3.2.13 It was also informed that the company has been successful in reducing the UFG volume of 13 BCF against the target of 10.4 BCF.
- 3.2.14 It was also requested the Authority to issue prescribed price notifications timely.
- 3.3 The substantive points made by the interveners during the hearings pertaining to the instant petition as well as policy matters are summarized below: -
- 3.3.1 It was vehemently objected to ever rising UFG of the petitioner despite the fact that huge funds were allowed to it for UFG reduction activities. The petitioner spent billions of Rupees (i.e. Rs. 6 billion) on controlling UFG but the results are not very encouraging.
- 3.3.2 It was emphasized that the petitioner can effectively deal with the issue of illegal gas connection under the Gas Theft (Control and Recovery) Act, 2016.
- 3.3.3 It was demanded that 100% gas from Ghotki be supplied to Karachi.
- 3.3.4 It was demanded to include Board Member from the Karachi Chamber of Commerce & Industry to represent local business community.
- 3.3.5 It was requested that the petitioner should implement gas curtailment in high UFG flat areas.
- 3.3.6 KCCI expressed his concerns regarding gas load curtailment, whereas under Article 158 of the Constitution, the province producing gas has the first right to utilize the same gas in its province. Theft of gas must be dealt with an iron hand. He was of the opinion that instead of extending the gas network far-flung areas, immediate attention must be given to the repair and maintenance of the existing distribution network in Karachi, which is observed to be in bad condition.
- 3.3.7 CNG Stations remained closed for about 03 months during winter on the pretext of curtailment of gas. The stage has now reached where it is economically not feasible to run this business on recent load shedding of 03-days per week is being applied for CNG Stations.
- 3.3.8 It was also complaint that SSGCL forced the CNG Stations to sign a separate contract for the supply of RLNG, on the condition that the RLNG supplies will not be interrupted, but on the contrary RLNG supplies are regularly being curtailed for CNG stations.
- 3.3.9 It was also highlighted that high tariffs and intermittent supplies lead to a situation where owners of CNG Stations are thinking about switching to other businesses.
- 3.3.10 All Pakistan CNG Dealer Association stated that they are facing severe financial hardships and are on verge of closure owing to reduced supplies from petitioner. It was also requested to ensure continued gas supply for CNG sector without curtailment so that their running expenditure will be met.
- 3.3.11 It was highlighted that industries in Sindh Province may be asked to accept supply of RLNG instead of indigenous gas, similar to CNG Stations, that accepted RLNG with the assurance that supplies would not be curtailed/ stopped. However, contrary to the

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- above assurance, RLNG supplies to CNG Sector are being curtailed, which is hurting the poor people.
- 3.3.12 It was requested to reduce the CNG renewal licensee fee. Moreover, it was demanded that inspection will be carried by OGRA after every 2 years.
- 3.3.13 It was stated that CNG businesses in Pakistan are facing severe financial hardships owing higher cost of gas. It was demanded that the same be reduced to a great extent.
- 3.4 In response to intervener's comments, the petitioner has explained that gas supply allocation to all categories of consumers is done by FG, wherein, it has no Authority. Regarding price revision demand by the petitioner, it was informed that the company is already selling gas below the purchase price, already cut 50% gas to the industry, and also welcome KCCI as a Board Member.

**3.5 Authority's response to interveners;**

- 3.5.1 The Licensee shall take all possible steps to keep UFG within acceptable limits. The Authority for this purpose in consultation with Licensee and experts, shall fix the target of UFG for each financial year. The Authority may fix the UFG targets separately for each regulated activity.

License Condition 21.1 of the license granted to petitioner is stipulated below:

*The Licensee shall be entitled to claim the UFG to the extent of target fixed by the Authority under 21.1 for the purpose of determining its revenue requirement for each financial year.*

*In case the Licensee improves upon the UFG target prescribed by the Authority, the Licensee shall be entitled to retain the gain on that account. Conversely if the Licensee fails to meet the UFG target the loss on that account shall be borne by the Licensee and shall not form part of its total revenue requirements.*

- 3.5.2 It is mentioned that OGRA being a regulator is obligated to safeguard the public interest and to ensure compliance of the petitioner to performance and service standards as advised from time to time. Moreover, the petition of revenue requirement is thoroughly analysed to rationalize the same keeping in view, the impact of the same on the end consumers.

**4. Authority's Jurisdiction and Determination Process**

- 4.1 The Authority is obligated to determine the total revenue requirement of the licensee under Section 8(1) of the Ordinance for a particular year after going through the due process of law. This primarily involves scrutiny of the petition, in-depth analysis of the estimates, the examination of operating and capital items, issuances of the notices to receive the valuable input/comments of all stakeholders, the opportunity of a public hearings and then determination of the total revenue requirement as per mandate under the legal framework. The Authority further notes that it has been able to curtail the petitioner's uneconomical costs to a greater extent through the introduction of an efficiency benchmark and effective scrutiny and diligence. Accordingly, the Authority's

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- decision surely strikes a balance among the divergent interests of all stakeholders. Total revenue requirement of the licensee determined by OGRA under Section 8(1) or 8(2) of the Ordinance is sent to FG to seek the advice regarding revision in sale price in respect of various categories of natural gas consumers.
- 4.2 Section 8(3) of the Ordinance empowers the FG to fix the consumer sale prices and advise OGRA of the revision in gas sale prices and minimum charges in respect of natural gas retail consumers in such a manner that the revenue requirement as determined by OGRA is fully met. Accordingly, FG, keeping in view economic indicators, policy considerations in terms of uniform pricing across the country, Gas Development Surcharge and the inter-category subsidies, etc. advises the gas sales prices and minimum charges for each retail category to OGRA. The same is accordingly notified by OGRA in the official gazette.
- 4.3 The Authority, however, observes that during the past, FG under Section 8(3) of the Ordinance had advised insufficient revisions to OGRA, resulting in the accumulation of previous years' revenue shortfall in the total revenue requirement. The Authority, in the instant determination as well as previous decision, has already referred the matter of the previous year's shortfall to FG for an appropriate policy decision through which MoE needs to devise a mechanism for direct disbursement to sui companies without affecting the revenue requirement exercise and process for future determinations under the instant amendments. Any inclusion of previous years' shortfall by FG, after latest amendments, shall not only jack-up the price significantly for all categories of consumers but also attract litigation in various courts. It is appropriate that the said legislation should only account for the future price adjustment on prospective basis.
- 4.4 The Authority, however, reiterates its view that all the categories of consumers must at least pay the average cost of service, keeping in view the existing cost of alternative or substitute sources of energy. Resultantly, there shall be no situation of unmet revenue requirement. This shall provide a level playing field for all concerned and avoid the situation of revenue shortfall.
- 4.5 *Various income & expenditure heads have been included as part of the prescribed price in the light of latest tariff regime implemented since FY 2018-19.*
- 4.6 The Authority notes that the petitioner has contended the rate of return allowed per DERR for FY 2021-22. The petitioner has argued the basis for the determination of the rate of return at 16.60% and requested to allow 16.79% rate of return on the regulated asset base. The Authority notes that the companies said claim had already been examined, discussed & decided per para 5.5 & 5.6 of RERR FY 2021-22. The Authority, after a thorough examination, had noted that an accurate basis in line with the parameters set in new tariff regime i.e., month-end average of six-month KIBOR was adopted and hence it did not require any correction/adjustment.
- 4.7 *In view of the above, the Authority maintains its earlier decision and computes the rate of return at 16.60% on the average net operating fixed assets while treating various income and expenditure heads decided therein.*

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## 5. Operating Fixed Assets

### i. Summary of Additions during the year

- 5.1 The Authority observes that the petitioner has inadvertently adopted the opening balance of regulated fixed assets at Rs. 45,997 instead of Rs. 46,125 million determined in RERR for FY 2021-22. Accordingly, the Authority, based on its latest determination, adopts Rs. 46,125 million as opening balance of net operating fixed assets for the said year.
- 5.2 Comparative analysis of projected additions in fixed assets with the previous years is as follows:

**Table 5: Summarized Schedule of Projected Additions Compared with Previous Years.**

Particulars	FY 2018-19 (FRR)		FY 2019-20 (FRR)		Petition (FY 2022-23)				Total
	Indigenous Gas	RLNG	Indigenous Gas	RLNG	Transmission		Distribution & Sale		
					Indigenous Gas	RLNG	Indigenous Gas	RLNG	
Buildings	53		56		165		474		639
Gas transmission pipeline	89	2,388	1,898	554	10,981	1,695			12,676
Compressors	183	523	346	286	2,426	2,691			5,117
Plant and machinery	126		128		685	48	489		1,222
Gas distribution system, related facilities and equipments	4,195	36	4,816	519			15,141	619	15,760
Furniture, equipments including computers and allied equipments	52		169		135	2	305		442
Computer software (Intangible)	2				109		338		447
LPG Air Mix Projects	221		320				106		106
Telecommunication system	11		14		10		30		40
Appliances, loose tools and equipment	17		13		65	3	148		216
Vehicles	242	10	178		175		778		953
Construction equipment		24							
SCADA	30	48							
Assets related to Gas Activities	5,221	3,029	7,938	1,359	14,751	4,439	17,809	619	37,618

- 5.3 The petitioner while responding to the segregation of assets to be procured centrally, clarified that overall assets other than Transmission / Distribution / Sales are procured centrally, therefore for the said year, these are allocated to Transmission (24%) and Distribution & Sales (76%) activities based on actual Expenditure for FY 2020-21.
- 5.4 Keeping in view the above, segregated expenditure against each head is as under:

### ii. Buildings

- 5.5 The petitioner has projected an amount of Rs. 639 million against this head i.e., Rs. 165 million for Transmission activities and Rs. 474 million for Distribution & Sales activities. The petitioner plan to undertake sixty-six (66) Nos civil works ranging from boundary walls, renovation of buildings, overhead water tank etc. to large buildings. Some of the major projects are discussed as follows: -

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Construction of Multi Storey Building on Shahrah-e-Faisal Plot (Rs. 300 million)

- 5.6 The petitioner has stated that the total tentative amount required in the first year of the project will be Rs. 300 million, the remaining amount will be required as per year wise requirement accordingly. Need assessment for construction of the building was asked, in response tentative cost breakup of the building was conveyed, however, requisite purpose/need assessment of the said building has not been received from the petitioner.

Construction of Building in Nawabshah Plot (Rs. 100 million)

- 5.7 The petitioner has stated that it owns a plot at Nawabshah, whereas its local offices are housed there in 05 rented premises. The petitioner's management has desired to construct a building at the said own plot to save the amount incurred on rent.

Modification / Renovation of Bungalows and Quarters at Karachi Terminals (Rs. 55 million)

- 5.8 The petitioner has claimed an amount of Rs. 55 million for modification of bungalows and quarters at Karachi terminal.

Construction of Nawabshah Store (Rs. 25 million)

- 5.9 The petitioner has stated that an amount of Rs. 19.32 million was approved in Capital Budget for FY 2016-18 & 2017-18 for the construction of Stores warehouses and allied facilities at HQ-II Nawabshah. This amount was partially spent on the construction of warehouse as well as on the flooring of the store premises. The petitioner has further stated that the approved budget could not be materialized due to a change in scope of work and location of the proposed store building. However, construction of the store is necessary since the existing store building at Nawabshah is in dilapidated condition, which is not fit for storage of important Compressors related inventories.

Construction on H8 Plot at Hawke's Bay drive, Karachi West (Rs. 22 million)

- 5.10 The petitioner has projected an amount of Rs. 22 million for construction of double storey hut at Hawke's Bay. The petitioner has stated that the old hut has been dilapidated and requires its re-construction.

Acquisition of Land for CP Stations (Rs. 10 million)

- 5.11 The petitioner has projected an amount of Rs. 10 million for the acquisition of Land for new CP stations for Distribution south, distribution North lower Sindh, distribution North upper Sindh and distribution north Balochistan on as & when required basis.

Other items (Rs. 127 million)

- 5.12 The petitioner has claimed an amount of Rs. 127 million for different activities in this head which includes repair and maintenance, reconstruction and flooring jobs at different locations.

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- 5.13 The Authority notes that based on historical trend analysis, the petitioner on average has undertaken such jobs to the tune of Rs. 107 million during 2006-07 to 2019-20. In FY 2019-20, the petitioner capitalized an amount of Rs. 56 million against the allowed amount of Rs. 169 million.
- 5.14 *In view of the Company's requirements, the Authority provisionally allows an amount of Rs. 160 million (i.e., 25% of the projected amount) for the said projects with a segregation of Rs. 41 million for Transmission activity while Rs. 119 million for Distribution & Sales activity, subject to actualization at FRR stage.*

### iii. Gas Transmission Pipelines

- 5.15 The petitioner has projected an amount of Rs. 12,676 million for the addition of the following pipelines to its indigenous and RLNG related to transmission network during the said year:

**Table 6: Requested Additions to Transmission Pipeline Network**

Sr. No.	Description	Rs in Million	
		The Petition	
		Indigenous	RLNG
1	30" Dia x 125 Km (rev. 116 KMs) pipeline from SMS Sindh University to SMS Pakland.	8,630	
2	24"Dia x 31Km from SMS Kathore to SMS Surjani (ACPL Surjani)	1,998	
3	Upgradation of SMS Larkana	126	
4	Upgradation of SMS Nawabshah	126	
5	Modification of existing Check Metering & Regulation Setup- Shikarpur	65	
6	8" Dia x 28 Km pipeline from Ayesha Gas Field [Leftover]	19	
7	Check Metering Arrangements at Daru (Leftover)	17	
<b>RLNG Projects</b>			
<b>Phase-I</b>			
8	Tie-in and integration arrangement from tie-in point 2 to Pakland & Bin Qasim		626
<b>Phase-II and others</b>			
9	30" Dia x 17 KMs from CTS Bin Qasim to MVA Pakland		433
10	Future Extension of CTS Bin Qasim		426
11	42" dia x 342 Km pipeline from Pakland to Nara		210
Sub-total		10,981	1,695
<b>Total(Indigenous + RLNG)</b>		<b>12,676</b>	

- 5.16 The petitioner operates its Transmission network in Sindh and Baluchistan comprising of 4,145 km of the pipeline and it plans to add 147 km of transmission pipeline projects in FY 2022-23 to augment and increase its throughput where ever deemed necessary. The detail of the transmission projects planned by the petitioner under this head in the said year are mentioned below:

30" dia x 125 Km pipeline from SMS Sindh University to SMS Pakland (1st segment):

- 5.17 The petitioner has stated that in the FY 2015-16, E&P Companies namely OGDCL, UEPL & PPL were optimistic to enhance gas volumes in their respective gas fields situated in SSGC's Indus Left Bank Pipelines (ILBP) region as depicted in the Gas Supply Sheet. At that time the ILBP transmission system had reached its saturation level. Therefore, in order to mitigate the system capacity bottleneck, 30" dia. x 125 Km transmission pipeline project from SMS Sindh University to SMS Pakland was

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- envisaged. The project was approved by SSGC BOD on 4th March, 2017 and subsequently by OGRA on 7th November, 2017.
- 5.18 The petitioner has further stated that as per current gas projections by E&P Companies, the production from existing gas fields would significantly decline from FY 2024-25 and onwards and proposed 30" dia. X 125 Km pipeline seems to be utilized for accommodating additional/ available gas volumes for only 02 years. However, the current scenario is that SSGC's 16" Dia pipeline has surpassed its design life (built in 1955) and similarly 20" Dia. Kadanwari pipeline will be approaching its design life in a few years, therefore existing pipeline capacity in this segment is fast declining. Therefore, to make up the deficiency in pipeline capacity in ILBP transmission system, the proposed 30" dia pipeline will serve the purpose. Furthermore, the petitioner apprised that due to constrained capacity, it has to transport RLNG in its system in Karachi and in lieu thereof swap indigenous gas to SNGPL, this has caused the issue of RLNG held stock. The petitioner envisages that the construction of 30" x 125 Km pipeline will enhance its pipeline capacity to 247 MMCFD from Hyderabad to Karachi and thus would be able to transport all ILBP gases to Karachi.
- 5.19 The Authority observes that it has been allowing the said pipeline segment in principle in its DERR FY 2017-18 and onwards. However, the petitioner did not initiate the said project on the sole ground that it could not acquire ROW for the project. It is pertinent to mention that the petitioner succeeded in commissioning of a dedicated 42" dia RLNG pipeline in the same segment back in 2018 but it could not move an inch towards initiating the said project despite lapse of almost five years, indicating lack of commitment on part of the petitioner. The Authority notes that because of the delay, the cost of the project has escalated from Rs. 5,017 million projected in ERR FY 2020-21 to Rs. 8,630 million in the said year, besides the so called issue of RLNG held stock might not have emerged to that extent especially after commissioning of dedicated 42-inch dia RLNG pipeline.
- 5.20 The petitioner in response to the Authority's queries has clarified that on the basis of intelligent pigging (IP) of 16-inch dia pipeline in this segment back in 2010, internal pitting and erosion were noted at several locations in the pipeline which was repaired and pipeline segments were also replaced where needed. But to ensure safety, an operating pressure of the said 16" ILBP line has been dropped from 1000 psig to around 600 psig. This has also resulted in the reduction of pipeline capacity.
- 5.21 The petitioner further stated that it has revisited the need and feasibility of the subject project based on the current scenario. In the light of worsening trends of existing ILBP gas pipelines, the proposed 30" dia. x 125 Km pipeline is required in order to ensure the availability of pipeline capacity in the gas transmission network. In case of depletion of indigenous gas near the ILBP system, imported RLNG can be transported to SSGC's franchised area through the proposed pipeline in near future.
- 5.22 The Authority observes that operational significance of this project has been highlighted by the petitioner, since its initial projection in the year FY 2017-18, however, the project has seen considerably delay rising doubts on its actual execution. The Authority notes that capacity enhancement is need of hour to serve existing consumers as well as effectively implement third party access regime. ***In view of the above, the Authority, hereby approves the said project in principle with the directions to ensure completion of the project without further delay.***

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24" Dia x 31 Km from SMS Karthore to SMS Surjani (ACPL Surjani)

- 5.23 The petitioner has projected an amount of Rs. 1,998 million for laying of 24" dia x 31 Km pipeline from SMS Karthore to SMS Surjani (ACPL Surjani). The Petitioner has stated that this pipeline has been proposed to improve operational efficiency as well as enhancing the gas distribution capacity of the western region of Karachi namely Northern By-Pass Hub Town, Coastal Area of Hawkes Bay, Kannup. This pipeline will help in overcoming low-pressure problems in the SITE Industrial area and also enhance overall system flow capacity up to 100 MMCFD to cater future gas demand.
- 5.24 The Authority in its earlier determinations allowed this pipeline segment as a Distribution Project, however, the company could not execute the same. Subsequently, the petitioner converted it to a transmission pipeline project and accordingly the Authority allowed the revised project in its determination on Motion for Review of DERR FY 2016-17. *The Authority notes that the petitioner continues to bring the said project in various petitions to improve gas pressures in the Western region of Karachi, but fails to execute the pending project, which is not appreciated. It is hereby reminded that the petitioner is under obligation to maintain contractual gas pressure in its area of operations, by taking various concrete steps including augmentation of the network, wherever it is essentially required.*
- 5.25 *In view of the above observations, the Authority, provisionally allows the above project in principle, subject to actualization at the FRR stage with the advice to execute the project without delaying any further while remaining within the estimated budget in the said year.*

Up-Gradation of SMS Nawabshah and Larkana (Rs. 252 million)

- 5.26 The Petitioner has projected an amount of Rs. 252 million for upgradation of SMS Nawabshah and Larkana i.e., Rs. 126 million for each SMS.
- 5.27 The petitioner has stated that existing SMSs set-up at Larkana and Nawabshah will not be able to fulfill future load demands as equipment installed like valves, regulators, safety valves and pipe/ pipe fittings have deteriorated with the passage of time. Therefore, up-gradation of these SMSs is required.
- 5.28 *In view of the operational nature of both the projects, and in view of the ability of the petitioner to capitalize on such jobs the Authority allows an upfront amount of Rs.126 million (50 % of the projected total amount) in the said year, subject to actualization at FRR stage.*

Modification of existing Check Metering & Regulation Setup- Shikarpur

- 5.29 The petitioner has claimed an amount of Rs. 65 million for Modification of existing Check Metering & Regulation Setup at Shikarpur.
- 5.30 The petitioner has stated that the gas demand in the franchise area of Shikarpur increases drastically during the winter season. Consequently, the existing metering setup does not reconcile the gas volume in the winter season.

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- 5.31 *The Authority notes that the said project is necessary to meet the operational requirements, therefore allows amount of Rs.65 million for the said year, subject to capitalization at FRR stage.*

8" Dia × 28 Km pipeline from Ayesha Gas Field [Leftover]

- 5.32 The petitioner has claimed an amount of Rs. 19 million for leftover activities for 8" Dia × 28 Km pipeline from Ayesha Gas Field. The petitioner has stated that the subject pipeline was commissioned in February, 2020 with a capitalization amount of Rs. 652 million; whereas left over civil job would be completed till June, 2022 with an estimated capitalization amount of Rs. 5 million. Further, pending land payment would be completed in FY 2022-23 with an estimated the amount of Rs. 19 million.
- 5.33 *In view of the above, the Authority allows the amount of Rs.19 million against leftover job of the captioned pipeline for the said year.*

Check Metering Arrangements at Daru

- 5.34 The petitioner has claimed an amount of Rs. 17 million against the leftover work activities for Check Metering Arrangements at Daru.
- 5.35 The petitioner has stated that in compliance of Director Audit Committee decision to carry out reconciliation of gas at POD, Check Metering facility is proposed at POD Daru. Currently 7 to 8 MMSCFD gas volume is being received in SSGC System from Pakhro field. The petitioner further stated that the installation of check metering job has been completed in February, 2020 with a capitalization amount of Rs. 52 million, furthermore leftover civil jobs would be completed in FY 2022-23 with an estimated amount of Rs. 17 million.
- 5.36 *Foregoing to the above, the Authority allows an amount of Rs.17 million for the said year against left over civil works of the Check Metering Arrangement at Daru.*

**iv. RLNG Projects**

Tie-in and integration arrangement from tie-in point 2 to Pakland and Bin Qasim (Ph-1) Rs. 626 million

- 5.37 The petitioner has projected an amount of Rs 626 million for installation of check metering arrangement with 2nd Terminal for RLNG-1 at existing Transmission Pipeline network at Pakland.
- 5.38 The petitioner has stated that the Orifice metering system has been relocated from MVA Pakland and installed with the 2nd Terminal at CTS-Bin Qasim as a check meter. Furthermore, tendering for the acquisition of design consultancy service regarding replacement of Orifice meter with Ultrasonic metering system installed with 2nd terminal is underway. The petitioner has added that replacement of orifice metering system with ultrasonic metering system, installation of flow control system, installation of firefighting system, land payments and leftover civil work with 2nd Terminal is expected to be completed till December, 2022. Regarding replacement of Orifice meter with ultrasonic meters, the petitioner has clarified that operationally ultrasonic meters

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have no pressure drop, no flow blockage, no moving parts and can be calibrated without venting gas.

- 5.39 The Authority notes this is a leftover job of the phase 1 of RLNG Pipeline Infrastructure Development Project (PIDP), the plan had already been allowed by the Authority vide letter OGRA-9(356)/2014-LNG dated 13.11.2014, the left-over job comprise of installation of Metering equipment as well as acquisition of Land. ***The Authority does not allow any upfront amount at this stage; however, the petitioner is allowed to carry out the activities against this head in the said year and claim capitalization at FRR stage subject to actualization.***

30" dia x 17 Km from CTS Bin Qasim to MVA Pakland (Rs. 433 million)

- 5.40 The petitioner has projected an amount of Rs 433 million for the construction of 30" x 17 Km RLNG Pipeline from CTS Bin Qasim to MVA Pakland.
- 5.41 The petitioner has stated that the Honourable Minister for petroleum division had directed SSGC to reinitiate working on 30" dia. x 17 Km pipeline. The subject pipeline has flow capacity of 600 MMCFD RLNG. Due to urgency, the material earlier procured against 30" x 125 Km Pipeline from Sindh University to MVA-Pakland has been utilized for commissioning of the subject pipeline project. The petitioner has added that the subject pipeline has been commissioned in December, 2020 and several leftover works has been capitalized amounting to Rs. 1,209 million till November, 2021. Whereas, the remaining leftover job i.e., orifice meter replacement with ultrasonic meter within the same skid, flow control arrangement, civil work and land acquisition will be completed against estimated amount of Rs. 433 million in FY 2022-23.
- 5.42 The Authority notes that it has already approved the said project on April 03, 2019 under Rule 20(xviii) of the NGRA (Licensing) Rules, 2002. Moreover, the Petitioner had projected an amount of Rs. 43 million for executing leftover works of the said projects in ERR 2020-21.
- 5.43 ***In view of the above, the Authority, in principle, allows the petitioner to carry out the left over works against this head in the said year and claim its capitalization at FRR stage subject to actualization.***

Future Extension of CTS Bin Qasim - RLNG

- 5.44 The petitioner has projected an amount of Rs. 426 million for future extension of CTS Bin Qasim. The petitioner has stated that additional land and civil infrastructure has been proposed adjacent to CTS Bin Qasim required to receive additional RLNG volume from future RLNG terminals.
- 5.45 ***The Authority does not allow any upfront amount at this stage; however, the petitioner is allowed to carry out the activities against this head in the said year and claim capitalization at FRR stage subject to actualization.***

42" dia x 342 Km (Phase-II) from Pakland to Nara

- 5.46 The petitioner has projected an amount of Rs 210 million for leftover works of 42" x 342 Km RLNG Pipeline for Phase-II of RLNG Infrastructure Development Project.

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- 5.47 The petitioner has stated that 42" dia x 342 Km RLNG-II pipeline has been completed and now this pipeline is in full operation. However, an amount of Rs. 210 million in FY 2022-23 has been proposed for pending land payments.
- 5.48 The Authority observes that phase – II of Pipeline Infrastructure Development Plan (PIDP) was allowed in principle by OGRA vide letter OGRA-9(356)/2014-LNG dated 15.05.2015 and the amount of Rs. 210 envisaged for the said year is a leftover work of already commissioned Phase-II of the RLNG Project.
- 5.49 *The Authority allows the petitioner to carry out the activities against this head and claim capitalization at FRR stage subject to actualization. However, the Authority does not allow any upfront amount at this stage.*
- 5.50 *In view of discussions & decisions for various transmission projects, addition to transmission network is determined as follows for the said year:*

**Table 7: Additions to Transmission Pipeline Network**

Sr. No.	Description	Rs in Million			
		The Petition		Allowed	
		Indigenous	RLNG	Indigenous	RLNG
1	30" Dia x 125 Km (rev. 116 KMs) pipeline from SMS Sindh University to SMS Pakland.	8,630			
2	24" Dia x 31 Km from SMS Kathore to SMS Surjani (ACPL Surjani)	1,998			
3	Upgradation of SMS Larkana	126		63	
4	Upgradation of SMS Nawabshah	126		63	
5	Modification of existing Check Metering & Regulation Setup- Shikarpur	65		65	
6	8" Dia x 28 Km pipeline from Ayesha Gas Field [Leftover]	19		19	
7	Check Metering Arrangements at Daru (Leftover)	17		17	
	<b>RLNG Projects</b>				
	<b>Phase-I</b>				
8	Tie-in and integration arrangement from tie-in point 2 to Pakland & Bin Qasim		626		
	<b>Phase-II and others</b>				
9	30" Dia x 17 KMs from CTS Bin Qasim to MVA Pakland		433		
10	Future Extension of CTS Bin Qasim		426		
11	42" dia x 342 Km pipeline from Pakland to Nara		210		
	Sub-total	10,981	1,695	227	
	<b>Total (Indigenous + RLNG)</b>	<b>12,676</b>		<b>227</b>	

**v. Compressors**

- 5.51 The petitioner has projected Rs. 5,117 million under this head for the said year, the detail of which is as under:

**Table 8: Requested Additions to Compressors**

Sr. No.	Description	Rs in Million	
		The Petition	
		Indigenous	RLNG
1	01 New Compressor Unit at Sibbi OR Refurbishment of existing		
2	New Compressor at Shikarpur to Jacobabad for OPL [Leftover]	2,207	
	<b>RLNG related Compressor Stations</b>	219	
3	Additional 01 Unit of Compressor at HQ-2 for RLNG		2,207
4	Repair / Overhaul of Solar T-60 Gas Turbine Engine including FAT and FSR installation charges		390
5	06 Compressor units & extension of facility at Nawabshah - HQ-2 Daur [leftover]		74
6	Air Compressor Air Flow 320 ACFM for Dry Gas Seal and instrumentair of Solar Compressors at HQ-2		20
	Sub-Total	2,426	2,691
	<b>Total Compressors (Indigenous + RLNG)</b>	<b>5,117</b>	

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5.52 The petitioner has furnished the following justifications for the above said expenditures:

01 New Compressor Unit at Sibbi or Refurbishment of existing Compressor:

- 5.53 The petitioner has stated that keeping in view the sustainability in gas supply and increasing demand of Quetta city and end-route areas of Baluchistan, installation of 01 new compressor unit having 200 MMSCFD flow capacity was proposed. However, SSGC's Board of Directors directed the management to conduct comparison analysis of refurbishing old machines or purchasing new one keeping in consideration the cost, design aspect, efficiency etc. Accordingly, a consultant has been engaged and the next course of action shall be determined based on report / feasibility analysis by the consultant.
- 5.54 The petitioner has proposed an estimated amount of Rs. 2,207 million on this account for the said year.
- 5.55 ***The Authority notes that the honorable High Court of Balochistan in its decision dated 07.03.2016 on CP No. 1229/2015 titled 'Ali Ahmed Kurd and others Vs FoP etc.' had directed as under:***
- "Since low pressure of gas is the main problem in Balochistan, therefore, the Managing Director, SSGC is directed to immediately take steps for up-gradation of the transmission line accordingly. This matter must be placed before the Board of Directors in its forthcoming meeting for up-gradation of the transmission line. All the stakeholders including OGRA should give top priority to this project."*
- 5.56 In compliance to the directions of the honourable high court and taking into consideration the hardships of the general public who face low pressure of gas in extreme cold weather, the Authority, in its earlier determinations, has been approving Quetta Pipeline Capacity Enhancement Project. However, it is noted that petitioner in its petition for FY 2016-17 informed that it would decide whether to install a new compressor or refurbish/ revamp of existing compressor at Sibbi Compressor Station. However, it is noted that the matter still hangs in balance as the petitioner, as of now, is yet to decide despite lapse of about 05 years. Such inordinate delay in deciding for the said project indicates lack of priority assigned by the petitioner to such projects and hence not appreciated. The petitioner is under obligation to supply the gas at contractual pressures to its consumers.
- 5.57 ***In the light of clear-cut directions of the honourable Court, the Authority directs the petitioner to execute the project in the best interest of the public living in far flung areas of the Baluchistan and provisionally allows the said project in principle. However, any prudently incurred expenditure shall be considered at the time of FRR for the said year provided the same is within the estimated amount.***

New Compressor at Shikarpur to Jacobabad for OPL [Leftover]

- 5.58 The petitioner has projected an amount of Rs. 219 million for leftover work against new compressor at Shikarpur to Jacobabad for QPL.
- 5.59 The petitioner has stated that one new compressor unit at Shikarpur has been successfully completed and commissioned in November, 2020 with the capitalization



amount of Rs. 1,200 million till November, 2021. Whereas remaining leftover work has been proposed in FY 2021-22 with an estimated capitalization amount of Rs. 420 million and for FY 2022-23 with an estimated capitalization amount of Rs. 219 million.

- 5.60 *The Authority notes that this is a leftover job of the said project, which includes valves, fittings, filters and scrubbers etc. The Authority provisionally allows an amount of Rs.219 million against the leftover job of new compressor at Jacobabad for QPL.*

vi. RLNG Projects

Additional 01 Unit of Compressor at HQ-2 Nawabshah for RLNG

- 5.61 The petitioner has projected an amount of Rs. 2,207 million for additional 01 unit of compressor at HQ-2, Nawabshah.
- 5.62 The Petitioner has stated that it has developed an infrastructure of 42" dia x 371 KM Gas Transmission Pipeline from Port Qasim to Sawan in order to transport 1200 MMCFD imported RLNG to SNGPL. As part of this infrastructure, 06 nos. Gas Turbo Compressor Units (200 MMCFD capacity each) were installed in 2016-17 at HQ-2, Nawabshah to deliver gas to Sawan at requisite pressure.
- 5.63 The petitioner has further stated that besides these 06 Gas Turbo Compressor units, 02 nos. old Gas Turbo Compressor units with capacity of 120 MMCFD each were relocated from HQ-Dadu and designated as stand-by units. The stand-by compressor units cover for 20% of total Station Design Flow.
- 5.64 The petitioner's Transmission Department is of the view to increase the stand-by capacity to cover for 40% of Station Flow. In this regard, company has hired professional consultancy services to review the current operational philosophy. Keeping in view the critical nature of the operation, installation of at least one (01) additional Gas Turbo Compressor Unit (200 MMCFD capacity) is envisaged in the FY 2022-23 with an estimated amount of Rs. 2,207 million.

Repair / Overhaul of Solar T-60 Gas Turbine Engine including FAT and FSR installation charges

- 5.65 The petitioner has stated that solar T-60 Gas Turbine S/No. 2350T installed at Solar Compressor Unit-B at HQ-2 Daur compressor station has completed approximately 18000 Hrs. As per operating hours' history, Turbine Engine would complete OEM's recommended overhaul hours 30,000 in FY 2022-23, therefore Turbine Engine is proposed for overhaul. The petitioner further informed that after overhaul turbine engine will become new and shall enable uninterrupted transport of gas flow to the SNGPL.

06 Compressor units & extension of facility at Nawabshah - HQ-2 Daur [leftover]

- 5.66 The petitioner has claimed an amount of Rs. 74 million against leftover activities for 06 Compressor units & extension of facility at Nawabshah. The petitioner has stated that Six (06) Turbo Compressor units with flow capacity of 200 MMSCFD each have been installed at HQ-2 Nawabshah to meet SNGPL pressure requirement of 1,115 psig and 1.2 BCFD volume of RLNG.



5.67 The petitioner has further stated that the leftover civil work including acquisition of around 40-acre land have been proposed to be completed in FY 2021-22 with the required estimated capitalization amount of Rs. 128 million; whereas civil works for transit mess is expected to be completed in FY 2022-23 with an estimated amount of Rs. 74 million.

Air Compressor Air Flow 320 ACFM for Dry Gas Seal and instrument air of Solar Compressors at HQ-2

5.68 The petitioner has stated that six solar T-60 compressors are installed at HQ-2 compressor station to manage approximately 1200 MMCFD RLNG to North. The required Buffer Air compressor shall be utilized as standby source in case of breakdown. The petitioner has further informed that buffer air compressor required for 06 solar compressors units' dry seal gas system, anti-surge control valves and auto self-cleaning air inlet filters for smooth operation of compressor units.

5.69 *The Authority notes that these RLNG related projects are the operational requirements as indicated above in the preceding paras, therefore the Authority allows the petitioner in principle to carry out the activities during the said year and claim actualized amount at FRR stage.*

**Table 9: Additions to Compressors as allowed by the Authority**

Sr. No.	Description	Rs in Million			
		The Petition		Allowed	
		Indigenous	RLNG	Indigenous	RLNG
1	01 New Compressor Unit at Sibbi OR Refurbishment of existing	2,207			
2	New Compressor at Shikarpur to Jacobabad for QPL [Leftover]	219		219	
	<b>RLNG related Compressor Stations</b>				
3	Additional 01 Unit of Compressor at HQ-2 for RLNG		2,207		
4	Repair / Overhaul of Solar T-60 Gas Turbine Engine including FAT and FSR installation charges		390		
5	06 Compressor units & extension of facility at Nawabshah - HQ-2 Daur [leftover]		74		
6	Air Compressor Air Flow 320 ACFM for Dry Gas Seal and instrumentair of Solar Compressors at HQ-2		20		
	Sub-Total	2,426	2,691	219	
	<b>Total Compressors (Indigenous + RLNG)</b>	<b>5,117</b>		<b>219</b>	

**vii. Gas Distribution System**

5.70 The petitioner has projected an amount of Rs. 15,759 million for gas distribution system and related facilities & equipment.

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**Table 10: Requested Additions to Distribution Network**

Sr. No.	Description	Rs. Million	
		Petition	
		Indigenous	RLNG
1	Rehabilitation Mains and Services - UFG Control Program	4,096	
2	Replacement /Repair of Undersized Meters	2,060	
3	Segmentation	173	
4	Construction of CMS, TBS, PRS, Cathodic protection	329	
	<b>Sub Total: UFG Control Program (A)</b>	<b>6,658</b>	
5	Laying of Distribution Mains including services- Existing Areas and DDC	4,998	
6	Installation of New Connections (meters)	763	
7	New Towns	1,395	
8	RLNG - New Connections (Meters) and Services		619
	<b>Sub Total : Normal (B)</b>	<b>7,156</b>	<b>619</b>
	<b>Total GDS Other Than Major Projects: (A+B)</b>	<b>13,814</b>	
9	16" Dia x 5 KMs Pipeline from Surjani Step-Down Assy. To Madinat al Hikmah	270	
10	16" Dia x 6.2 KMs Pipeline from PSM Main Gate to Yousuf Goth Landhi	320	
11	Reinf. Work at Quetta Mid City Area 16" dia Loop Line total of 18 KMs in length	355	
12	08" Dia x 35 KMs Supply Main Badin	381	
	<b>Sub-Total: Major Distribution Projects(C)</b>	<b>1,326</b>	
	<b>Sub-Total Gas Distribution System(A+B+C)</b>	<b>15,140</b>	<b>619</b>
	<b>Total Gas Distribution System (Indigenous + RLNG)</b>	<b>15,759</b>	

Rehabilitation Mains and Services:

- 5.71 The petitioner has projected an amount of Rs 4,096 million for Rehabilitation Mains & Services of 680 Kms under the UFG Control Program. The Petitioner has stated that majority of the network identified for rehabilitation is quite old and prone to leakages. Successful completion of rehabilitation works is expected to result in substantial UFG savings of around 470 MMCF. The petitioner has further stated that obtaining NOCs from local authorities viz rehabilitation & gas leakage rectification in a timely manner have become a big challenge for SSGC. The petitioner has further stated that successful implementation of rehabilitation works would also enable SSGC to operate the network at better pressure and solve the low-pressure complaints from the customers.
- 5.72 The Authority notes that Rehabilitation of mains and services of the distribution network is an important UFG control activity, pockets of old and leaky distribution networks need to be identified based on leakage detection / CP surveys and rehabilitated in a planned and phased manner depending upon the condition of the pipelines. The petitioner referred to the problem of delay in getting NOCs for road cutting from local authorities, in this respect, it is noted that it is the responsibility of the petitioner to complete all the planning work, and necessary prerequisites including above stated NOCs well before execution of the important jobs and capitalize the allowed amount against this head within the stipulated time. The petitioner was asked to provide details of areas where rehabilitation of mains and services is planned to be executed in the said year along with the current status of UFG in these localities. However, the petitioner could not furnish the same.
- 5.73 *The Authority notes that the petitioner's projections remain on the higher side when compared with actual achievements. The Authority observes the following*



*expenditure/capitalization and operational capabilities against this head for the last three actualized years:*

FY	ERR (Rs.million)	DERR (Rs.million)	Projected KMs	FRR (Rs.millions)	Actual Kms
2019-20	915	915	763	441	151
2018-19	851	851	652	371	103
2017-18	1547	888	698	668	160

- 5.74 *Keeping in view the above and taking into account the importance of this activity falling under the UFG Control Program, the Authority allows an upfront amount of Rs. 493 million for the said year, based on average of last three years capitalization against this head, with advice to converge its focus on UFG Control Program and bring tangible reduction in UFG in its distribution network. Moreover, the petitioner is advised to submit a comprehensive reply to the said query so as to have clear road map thereby ensuring effective measures in controlling UFG in the targeted areas in this head.*

Segmentation:

- 5.75 The petitioner has projected an amount of Rs. 173 million for segmentation of 85 schemes on distribution network.
- 5.76 The petitioner has stated that the exercise of network segmentation is vital for effective monitoring, management and control of the distribution network. The segregation schemes have been assigned a priority order based on the quantum of UFG in the particular geographical / network section.
- 5.77 *The Authority notes that segmentation was an important task envisaged in UFG Study report / Key Monitoring Indicators (KMIs). It has been noted with concern that the petitioner could not capitalize any amount for the last two years i.e., FRR 2018-19 and 2019-20 in this head. Keeping in view the importance of above said project the Authority allows an upfront amount of Rs. 173 million against this head for the said year, subject to actualization at FRR stage, with the advice to fix the priorities vis-à-vis UFG Control Program.*

Laying of Distribution Mains including services - Existing Areas:

- 5.78 The petitioner has projected Rs. 4,998 million for laying 870 Km of Distribution Mains including services in existing areas for the said year.
- 5.79 *Average capitalization against this head during the last 6 years was Rs 1,033 million. Further, it is highlighted that the petitioner was able to capitalize an amount of Rs. 1,113 million on Laying of 470 Kms Distributions Mains for the year FY 2019-20. Keeping in view the capability of physical achievement against such activity, the Authority provisionally allows an amount of Rs. 1,113 million against this head.*



Installation of New Connections (meters):

- 5.80 The petitioner has projected Rs. 1,253 million for installation of 132,713 Nos. new connections (meters) i.e., 235 connections for industrial, 478 for commercial and 132,000 for Domestic categories in Karachi, Sindh and Balochistan regions for the said year. Moreover, the petitioner has claimed an amount of Rs. 129 million for New RLNG Services.
- 5.81 The Authority, vide DERR 2021-22 while keeping in view the current energy crises prevailing in the country and considering all aspects, has already devised guidelines for the execution of distribution development projects along with the provision of new gas connections consistent with the legal position to ensure energy sustainability and security for existing and prospective consumers. Hence the petitioner may proceed accordingly in this respect.
- 5.82 In addition to the above, the Authority in principle allows the installation of gas connections (meters) against this head in the said year subject to its capitalization at FRR stage in the said year, in accordance with the prevailing policy of the Federal Government viz a viz provision of gas connections to prospective consumers and Authority's guidelines earlier conveyed in DERR FY 2021-22.
- 5.83 *Further, the Authority provisionally allows the projected amount of Rs. 619 million of 478 commercials and 235 industrial connections under ring-fenced mechanism as per the policy of the GoP regarding RLNG/ECC decision.*

Replacement/ Repair of Undersized Meters

- 5.84 The petitioner has projected Rs. 2,060 million for the replacement of 133,010 Nos. gas meters in Karachi, Sindh and Balochistan regions for the said year. The petitioner has planned to replace 235 industrial, 775 commercials and 132,000 domestic meters.
- 5.85 The Authority has its consistent stance regarding the replacement of meters which has been discussed at length in its last determinations i.e., DFRR 2018-19 dated 25-05-2021 and DERR FY 2021-22 dated 17-08-2021, inter-alia the observation that the capitalization of more than Rs. 12 billion has been made during last seven years i.e., from FY 2013-14 to FY 2019-20 on account of replacement of 1.6 million gas meters, which is almost 50% of the total meters installed on the petitioner's network. Despite hefty expenditure, overall UFG of the petitioner has an increasing trend.
- 5.86 The Authority notes that there is discrepancy of unit price cost of domestic meter estimated against new connections and the meters to be replaced in this head, e.g., cost of domestic meter is given as Rs. 5,479/unit in former case as against Rs. 7,191/unit in this head (30% higher). Considering the fact that the same meters are to be installed in both cases, as such variation of estimated cost of domestic meter does not seem to be justified.
- 5.87 The Authority observes the variance in the petitioner's replacement figures envisaged in the said year while comparing with the last few years, as mentioned below; -

F.Y.	Projected Meters to be replaced	Rs. In Millions
ERR 2019-20	326,932	1,745
ERR 2020-21	726,766	3,666
ERR 2021-22	356,699	2,470

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- 5.88 ***Therefore, the Authority allows an upfront amount of Rs. 1,745 million for the replacement of meters in the said year based on last actualization at FRR FY 2019-20 with advice to review the unit price cost of domestic meters, as per the observations at para 5.86 above.***

Construction of CMSs, TBSs, TRSs

- 5.89 The petitioner has projected an amount of Rs. 329 million for construction of CMSs, TBSs, TRSs and CP Stations. The Authority notes that installation of TBSs, CMSs and CP Stations are important jobs which are operationally required for proper regulation and integrity of the distribution network.
- 5.90 ***In view of the above, the Authority allows an upfront amount of Rs.329 million against this head during the said year subject to its capitalization at FRR stage.***

New Towns

- 5.91 The petitioner has projected Rs. 1,395 million for 189 Kms extension in distribution network in 35 Nos of Schemes for New Towns & villages which either fall within 5 Km radius of Gas producing fields or under Sustainable Development Goals Achievement (SAP). Average capitalization against this head during the last 6 years was Rs 471 million. The petitioner has informed that amount of Rs. 1,316 million is to be adjusted against Federal Government grant and Rs. 79 million is from SSGC own resources.
- 5.92 On query regarding nil projections against gasification of new town/ schemes in Baluchistan province, the petitioner clarified that the Company had not received any recommendation/ approval/ funds from the Federal / Provincial Government for undertaking any Gas development scheme of new towns and villages in Baluchistan region as per criteria/ policy during the period FY 2019-20 to 2022-23. Accordingly, no amount has been projected in the current revenue requirement.
- 5.93 ***In view of the above, the Authority, based on the details and justifications furnished by the petitioner, the Authority allows the petitioner to execute these schemes in principle subject to the condition that the petitioner shall comply with the prevalent policies of the Federal Government and the Authority's guidelines earlier conveyed in DERR FY 2021-22.***

16" Dia x 5 KMs Pipeline from Surjani Step-Down to Madinat al Hikmah

- 5.94 The petitioner has projected an amount of Rs. 270 million for the said project. The petitioner intends to improve supply pressures at the SITE industrial area & Orangi town. For this purpose, 16" dia. Valika Link main is to be fed from the proposed new 16" dia pipeline instead of the existing scheme of its feeding through 24" dia. Shershah main (interconnected near Madinat-ul-Hikmat). However, the petitioner has mentioned that this proposal would be fruitful after laying/commissioning of 24" dia. x 31 Km Transmission pipeline (from SMS-ACPL to Surjani) which is under management's approval process. The proposal would also be helpful for the isolation of the SITE Industrial area.



- 5.95 *The Authority keeping in view the justification provided by the petitioner and operational requirement allows the said project in principle subject to actualization at FRR stage. However, no upfront amount is allowed at this stage against the said project.*

16" Dia x 6.2 KMs Pipeline from PSM Main Gate to Yousuf Goth Landhi

- 5.96 The petitioner has projected an amount of Rs. 320 million for the said project. The petitioner has stated that at present industrial area along National Highway is being fed through SMS-FJFC which is already operating at peak load. Whereas, SMS-Pak Steel located in the vicinity of the said area is isolated and being operated at its minimum capacity, as Pakistan Steel Mill is inoperative since long. The petitioner further informed that the project is required to shift the load of about 18 TBSs from SMS-FJFC to SMS-Pak Steel by laying 16" dia. x 7 Km pipeline from the Steel Mill entrance at National Highway to FAST University, Shah Latif Town. The foremost benefit of the project is to balance the load on each SMS and will maintain smooth supply of gas to the entire connected areas.
- 5.97 *The Authority keeping in view the justification provided by the petitioner and operational requirement provisionally allows an upfront amount of Rs. 160 million (50% of the projected amount) for the said project subject to actualization at FRR stage.*

Reinforcement Work at Quetta Mid City Area 16" dia Loop Line total of 18 KMs in length

- 5.98 The petitioner has projected an amount of Rs. 355 million for the said project. The petitioner has stated that during severe frigid weather, the mid-city areas are affected by low pressure as the existing gas mains have become undersized due to increased population. The petitioner proposed for the enhancement of mains to the downtown of Quetta City, which is thickly populated area and nearly 45,000 customers are facilitated with gas supply from TBS, which is located nearly 7 km away. The petitioner has further stated that its Planning & Development Department designed laying of 16" dia mains high-pressure line from TBS Taj Complex to Barech Market, which would provide the gas facility to the customers at 12-15 PSIG and ultimately will minimize UFG on one hand, and on the other hand, it will facilitate with uninterrupted gas supply to the customers without any complaints of low-pressure of gas. Enroute to this line, new TBSs have been designed in mid-city areas.
- 5.99 The Authority appreciates the petitioner's initiative to plan the augmentation of its distribution network in Quetta and would expect to also execute such projects in other parts of Baluchistan to address low-pressure problems. It is pertinent to mention that the honorable Courts and the public representatives have also highlighted low-pressure issues at different forums/ committees for taking remedial measures. It does not need further emphasis that people, living in far-flung areas of the province, have to bear the harsh weather conditions as such supply of gas for cooking and heating purposes is essentially required as a cleaner fuel of choice. Provision of natural gas with appropriate pressures to the consumers, will encourage and help build confidence on the institutions/ the utility company and in the long run, it will encourage many others to follow in the footsteps of such law-abiding gas consumers and seek gas connections as per law/









procedure. However, as stated earlier, stern action must be taken against the gas pilferers/ illegal non-consumers in accordance with law and for this purpose, the petitioner may seek assistance from the provincial/district authorities and law enforcement agencies.

- 5.100 *The Authority is fully cognizant of low-pressure problems of the Quetta, therefore, Authority keeping in view the justification provided by the petitioner and operational requirement provisionally allows an upfront amount of Rs. 355 million for the said project with advice to prioritize the low-pressure issues in Quetta Region to facilitate with uninterrupted gas supply to the customers without any complaints.*

8" x 35 KM Supply Main Badin

- 5.101 The Petitioner has projected to capitalize Rs. 381 million for 8-inch dia. x 35 KM Supply Main Badin (from Golarchi to Badin). The project will enhance the capacity of supply main and help handle gas emergencies safely in the future along Golarchi – Badin Road. The petitioner stated that this project is required to reinforce the existing 6" dia Supply Main Badin as over the period of time gas load has appreciably increased with the extension of new towns & villages on the supply main and expansion of customer base. The supply main (from Golarchi to Badin) has also come into the center of road and from safety point of view, further load and enhancement of the pressures should be avoided to prevent an untoward situation in case of emergency.
- 5.102 The Authority notes that the said project was also allowed in principle in the DERR for the previous year i.e., FY 2021-22, but it appears that the petitioner could not initiate the same. Further, it is noted that the existing 6-inch dia supply main is reportedly located in the center of the main road, perhaps due to modification/ widening of the same road over the period of time. In this regard, the petitioner is advised to protect its network/ assets with proper vigilance and coordination with the relevant departments so as to safely maintain the operations of the existing distribution line in case of any eventuality.
- 5.103 *Keeping in view the justification furnished by the petitioner, the Authority, allows the project in principle, subject to actualization, however, the Authority does not allow any upfront amount at this stage.*

**Table 11: Additions to Distribution Network as allowed by the Authority**

Sr. No.	Description	Rs. Million			
		Petition		Allowed	
		Indigenous	RLNG	Indigenous	RLNG
1	Rehabilitation Mains and Services - UFG Control Program	4,096		493	
2	Replacement /Repair of Undersized Meters	2,060		1,745	
3	Segmentation	173		173	
4	Construction of CMS, TBS, PRS, Cathodic protection	329		329	
	<b>Sub Total: UFG Control Program (A)</b>	<b>6,658</b>			
5	Laying of Distribution Mains including services- Existing Areas and DDC	4,998		1,113	
6	Installation of New Connections (meters)	763			
7	New Towns	1,395			
8	RLNG - New Connections (Meters) and Services		619		619
	<b>Sub Total : Normal (B)</b>	<b>7,156</b>	<b>619</b>		
	<b>Total GDS Other Than Major Projects: (A+B)</b>	<b>13,814</b>			
9	16" Dia x 5 KMs Pipeline from Surjani Step-Down Assy. To Madinat al Hikmah	270			
10	16" Dia x 6.2 KMs Pipeline from PSM Main Gate to Yousuf Goth Landhi	320		160	
11	Reinf. Work at Quetta Mid City Area 16" dia Loop Line total of 18 KMs in length	355		355	
12	08" Dia x 35 KMs Supply Main Badin	381			
	<b>Sub-Total: Major Distribution Projects(C)</b>	<b>1,326</b>			
	<b>Sub-Total Gas Distribution System(A+B+C)</b>	<b>15,140</b>	<b>619</b>	<b>4,368</b>	<b>619</b>
	<b>Total Gas Distribution System (Indigenous + RLNG)</b>	<b>15,759</b>			<b>4,987</b>



**viii. Plant and Machinery**

- 5.104 The petitioner has projected an amount of Rs 1,222 million including Rs. 48 million related to RLNG on account of Plant and Machinery for the said year. The Petitioner has further segregated the above amount of Rs. 1,222 million i.e., Rs. 733 million for Transmission (including Rs. 48 million of RLNG) activities whereas Rs. 489 million for Distribution & Sales activities. Out of the total 167 items, major Plants and Equipment envisaged to be procured during the said year include Mechanical parts of head office lift, Pipeline Layer, Mobile Crane, Excavators, Air compressors, drilling machines, Welding plants, Electro Fusion machines, Odorizer unit, Gas chromatograph, Flow computer and Generators etc.
- 5.105 The Authority notes that the petitioner capitalized an average amount of Rs. 200 million per year during the period FY 2006-07 to FY 2019-20, however, the projections against this head remained excessive viz a viz actual expenditure. Moreover, it is observed that an amount of Rs. 128 million has been capitalized against the allowed amount of Rs. 336 million for this head at FRR 2019-20. Keeping in view of the above and the capacity and priority set forth by the petitioner in undertaking the procurement against this head, *the Authority allows an upfront amount of Rs. 200 million with segregation of Rs.110 million for Transmission activities whereas Rs. 90 million for Distribution & Sales activities against this head for the said year, subject to actualization at FRR stage. In case of projections of Rs. 48 million against this head related to RLNG activities, the Authority provisionally allows expenditure in principle for the said year, however, no upfront amount is allowed at this stage.*
- ix. Furniture; Security & Office Equipment and Computer & Allied Equipment**
- 5.106 The petitioner has projected Rs. 442 million i.e., Rs.137 million for Transmission activities, including Rs.02 million related to RLNG activities, whereas Rs.305 million for Distribution & Sales activities against this head for the said year.
- 5.107 Major components of projections include Computers and Allied equipment (Rs 265 million), Office equipment (Rs 85 million), Furniture (Rs 41 million), and Security equipment (Rs 50 million). Historical trend analysis shows that the petitioner on an average has capitalized an amount of Rs 136 million annually during FY 2006-07 to FY 2019-20.
- 5.108 *In view of the petitioner capabilities to undertake / capitalized against this head, the Authority provisionally allows an amount of Rs. 186 million with segregation of Rs. 57 million for Transmission activities whereas Rs. 129 million for Distribution & sales activities under the said head. Moreover, keeping in view the importance of updating technology to keep pace with the contemporary world and adapt/equip with changing technologies, the Authority allocates Rs. 133 million for computer & allied equipment (i.e., 50% of the claimed amount under this head) in the allowed amount.*

S.No	Items	Rs in million	
		The petition	As allowed
1	Computer & Allied Equipment	265	133
2	Office Equipment	85	26
3	Furniture	41	13
4	Security	50	15
	<b>Total:</b>	<b>441</b>	<b>186</b>



**x. Computer Software (Intangible)**

- 5.109 The petitioner has projected Rs. 448 million i.e., Rs. 109 million for Transmission activities, whereas Rs.338 million for Distribution & Sales activities for procurement of various software relating to billing operations (CC&B) and ERP applications. During the said year. The Authority observes that the petitioner has capitalized average amount of Rs 30 million/year during the last 12 years i.e., FY 2008-09 to FY 2019-20. Moreover, the petitioner could not capitalize any amount during FY 2019-20 against the allowed amount of Rs. 94 million against this head.
- 5.110 *Keeping in view, the petitioner's operational requirement and justification as provided, the Authority provisionally allow these projects under this head in principle subject to actualization at FRR stage. However, the Authority does not allow any upfront amount at this stage.*

**xi. LPG Air-Mix Projects**

- 5.111 The petitioner has projected an amount of Rs. 106 million to be capitalized on LPG Air-Mix Plants at various locations which include Gwadar (Rs. 57 million), Noshki (Rs. 9 million), Surab (Rs. 16 million), Kot Ghulam Muhammad (Rs. 16 million), Awaran (Rs. 7 million) and Bela (Rs. 0.3 million).
- 5.112 *Keeping in view of the petitioner's justifications and operational requirements, the Authority allows an upfront amount of Rs. 53 million i.e., 50% of the projected amount for the said plants for the said year. Moreover, the Petitioner is directed to comply with the ECC decision dated 06-04-2020 regarding the execution of ECC-Approved Liquefied Petroleum Gas (LPG) Air Mix Supply Projects by Sui Companies.*

**xii. Telecommunication System**

- 5.113 The petitioner has projected Rs 40 million i.e., Rs. 10 million for Transmission activities whereas Rs. 30 million for Distribution & Sales activities for procurement of telecommunications equipment including Microwave Link between HQ-2 and RO Hyderabad (Rs.15 million), PABX PRI and SIP Licenses along Hardware (Rs.8 million), Remote monitoring system for Transmission CP Stations (Rs.5 million), SCADA Workstation (Rs. 5 million). Average capitalization during the last 14 years i.e., FY 2006-07 to FY 2018-19 was Rs. 54 million / year.
- 5.114 *The Authority based on operational requirements and justification provided by the petitioner provisionally allows an amount of Rs. 40 million with segregation of Rs. 10 million for Transmission activities whereas 30 million for Distribution activities for the said year against the said projects.*

**xiii. Appliances, Loose Tools & Equipment**

- 5.115 The petitioner has projected an amount of Rs. 216 million i.e., Rs. 68 million for Transmission activities (including Rs.3 million of RLNG), whereas Rs. 148 million for Distribution activities for procurement of different tools and equipment including Gas Leak Detectors (Rs 44 million), Cyber Locks / Keys & Other Hardware Accessories (Rs.46 million), Dry Test Meter (Rs. 14 million), Handheld X-Ray Fluorescent Machine

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(Rs. 10 million), Pipe Lifting Tongue (Rs. 13 million) etc. The petitioner has stated that under UFG reduction plan of the company, special emphasis has been placed to increase number of steel & PE network maintenance teams which must be equipped with modern tools & equipment.

- 5.116 *The Authority notes that average amount capitalized during last 13 years i.e., FY 2007-08 to FY 2019-20 in this head was Rs 26 million/year. The Authority, while striking a balance between the petitioner's capabilities to procure tools and equipment and the needs of such equipment for UFG control activities, allows an upfront amount of Rs.108 million (i.e., 50 % of the projected amount) against this head in the said year, with the segregation of Rs. 34 million for Transmission activities whereas Rs. 74 million for Distribution & Sales activities in the said head. In case of projections of Rs. 3 million against this head related to RLNG activities, the Authority provisionally allows expenditure in principle for the said year, however, no upfront amount is allowed at this stage.*

xiv. Vehicles

- 5.117 The petitioner has projected an amount of Rs. 953 million i.e., Rs. 175 million for Transmission activities, whereas Rs. 778 million for Distribution & Sales activities under this head for procurement of 344 Nos. Operational vehicles (24 Nos Addition in Motorcycle 70CC + 320 Nos Replacement).
- 5.118 The Authority observes that there has been no marked increase in its network and consumer base. Further, in order to ensure compliance with the GoP's advice to implement austerity measures at all levels so as to avoid unnecessary expenditures, the petitioner must keep above considerations while projecting amount at ERR. It has been noticed that the petitioner's BOD reviewed and revised the exaggerated projections made in the previous year's RERR. The petitioner has capitalized an amount of Rs. 178 million in this head during 2019-20. *Therefore, the Authority, allows an amount of Rs. 178 million with segregation of Rs. 33 million for Transmission activities whereas Rs. 145 million for Distribution & Sales activities under this head for the said year.*

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**xv. Fixed Assets Determined by the Authority**

5.119 The value of additions in assets requested by the petitioner and determined by the Authority for the said year, is as under:

**Table 12: Summary of Asset Additions Allowed by the Authority**

Particulars	FY2022-23 (ERR)						Allowed			
	Petition	Transmission		Distribution & Sale		Transmission		Distribution & Sale		Total
		Indigenous Gas	RLNG	Indigenous Gas	RLNG	Indigenous Gas	RLNG	Indigenous Gas	RLNG	
Buildings	639	165		474		41		119		160
Gas transmission pipeline	12,676	10,981	1,695			227				227
Compressors	5,117	2,426	2,691			219				219
Plant and machinery	1,222	685	48	489		110		90		200
Gas distribution system, related facilities and equipments	15,760			15,141	619			4,368	619	4,987
Furniture, equipments including computers and allied equipments	442	135	2	305		57		129		186
Computer software (Intangible)	447	109		338						0
LPG Air Mix Projects	106			106				53		53
Telecommunication system	40	10		30		10		30		40
Appliances, loose tools and equipment	216	65	3	148		34		74		108
Vehicles	953	175		778		33		145		178
Construction equipment										0
SCADA										0
Assets related to Gas Activities	37,618	14,751	4,439	17,809	619	731		5,008	619	6,358

**xvi. Depreciation and ROA**

5.120 *Keeping in view of above, the Authority decides to allow depreciation Rs. 7,472 million on provisional basis for the said year. Consequently, ROA is computed at Rs. 5,720 million based on net average operating assets for the said year.*

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## 6. Operating Revenues

### i. Sales Volume

- 6.1 Sales volume has been reported to decrease from 314,911 BBTU per RERR FY 2021-22 to 283,040 BBTU in the instant petition. Category-wise comparison with previous years has been provided as under:

**Table 13: Comparison of Projected Sales Volume with Previous Years**

Category	Volume in BBTU					Inc. / (Dec.) over RERR FY 2021-22	
	FY 2019-20 FRR	FY 2020-21 RERR	FY 2021-22 RERR	FY 2022-23 The Petition			%
Habibullah Coastal Power	1,006	5,144	2,969	5,366	2,397		81
Cement	130	202	115	122	7		6
Captive Power-zero rated	42,330	45,736	47,074	48,290	1,216		3
Commercial	8,556	9,617	9,038	8,943	(95)		(1)
Fertilizer - feed stock	19,302	17,562	18,828	18,107	(721)		(4)
Domestic	102,615	102,052	108,787	100,156	(8,631)		(8)
Nooriabad Power Plant	6,051	6,502	6,083	5,366	(717)		(12)
CNG Stations	14,103	21,156	1,215	1,036	(179)		(15)
Captive Power	22,262	39,670	25,001	21,247	(3,754)		(15)
Power	39,159	45,135	20,616	17,530	(3,086)		(15)
General Industries	25,354	39,418	31,440	26,219	(5,221)		(17)
Industrial-zero rated	27,625	25,530	43,745	30,660	(13,085)		(30)
<b>Total: -</b>	<b>308,492</b>	<b>357,724</b>	<b>314,911</b>	<b>283,040</b>	<b>(31,871)</b>		<b>(10)</b>

- 6.2 The petitioner has explained that increase in sales volume in respect of HCPC has been envisaged, based on anticipated new gas allocation by MoE (PD). Regarding reduction in gas sales volume against Power, Captive, Industry, and Domestic sector, the petitioner has informed that the same have been projected in the light of natural gas load management plan by FG considering depleting indigenous gas supplies. The petitioner has further informed that most CNG consumers have now been shifted to RLNG resulting decrease in sales volume by 15% over RERR FY 2021-22.
- 6.3 *In view of the above, the Authority accepts the petitioner's sales volume projections at 283,040 BBTU for the said year.*

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ii. Sales Revenue at Existing Prices

- 6.4 Sales revenue has decreased from Rs. 261,213 million per RERR FY 2021-22 to Rs. 197,926 million in the instant petition at the existing prescribed price by 24% for the said year. Category-wise comparison of sales revenue is given below:

Table 14: Comparison of Projected Sales Revenue at Existing Price with Previous Years

Particulars	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	Rs. In Million Inc. / (Dec.) over RERR for FY 2021-22	
	FRR	RERR	RERR	The Petition		%
Habibullah Coastal Power	811	4,385	3,052	4,598	1,546	51
Cement	163	259	159	156	(3)	(2)
Captive Power-(zero rated)	33,104	37,723	45,711	41,143	(4,568)	(10)
Commercial	10,332	12,053	12,744	11,081	(1,663)	(13)
CNG Stations	17,706	28,163	1,757	1,404	(353)	(20)
Domestic	32,550	42,963	53,278	42,251	(11,027)	(21)
Fertilizer - Feedstock	5,791	5,839	7,113	5,468	(1,645)	(23)
Nooriabad Power Plant	4,873	5,490	6,105	4,598	(1,507)	(25)
Captive Power	22,179	42,247	31,396	23,096	(8,300)	(26)
Power	31,544	38,116	21,025	15,023	(6,002)	(29)
General Industries	25,338	40,675	37,421	23,999	(13,422)	(36)
Industrial-(zero rated)	21,922	20,606	41,452	25,110	(16,342)	(39)
<b>Total Sales Revenues</b>	<b>206,313</b>	<b>278,520</b>	<b>261,213</b>	<b>197,926</b>	<b>(63,287)</b>	<b>(24)</b>

- 6.5 The petitioner has submitted that revenue has been calculated in accordance with price notification dated October 23, 2020. The petitioner has also explained that Sindh High Court (SHC) has granted stay order to certain industrial consumers on OGRA's price notifications. The impact of these stay orders in terms of reduction in revenues (i.e., Rs. 3,631 million), which shall be actualized on the basis of final outcome of SHC.
- 6.6 The Authority observes that decrease in sales revenue is mainly due to decrease in sales volumes and revision in gas supply allocations of various sectors as indicated in paras in 6.1.3 above. *In view of the above, the Authority accepts the same at Rs. 197,926 million on provisional basis for the said year.*

iii. Other Operating Income

- 6.7 The petitioner has projected other operating income at Rs. 4,611 million for the said year. A comparison with previous years is given below:

Table 15: Comparison of Projected Other Operating Income with Previous Years

Particulars	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23			Rs. in million Inc./Dec.) over RERR for FY 2021-22	
	FRR	RERR	RERR	The Petition	Transmission	Distribution & Sale Activities	Rs.	%
Late Payment Surcharge	1,697	1,248	1,026	1,061	-	1,061	35	3
Meter Manufacturing Profit	7	29	30	74	-	74	44	148
Sale of LPG/NGL and Condensate	121	1,506	(5)	(1)	(1)	-	4	-
Meter rentals	796	1,489	1,672	1,726	-	1,726	55	3
Amortization of deferred credits	549	530	596	584	-	584	(12)	(2)
Other income	2,381	2,935	1,776	1,167	285	882	(608)	(34)
<b>Net Operating Revenue</b>	<b>5,550</b>	<b>7,736</b>	<b>5,094</b>	<b>4,611</b>	<b>284</b>	<b>4,327</b>	<b>(483)</b>	<b>(9)</b>

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- 6.8 The petitioner has explained that revenue from MMP has projected to increase by 148% over RERR FY 2021-22, as it has signed a MoU with SNGPL for utilizing MMP capacity for production of domestic gas meters.
- 6.9 The petitioner has further explained that estimates from LPG/NGL income have not been projected in the instant petition owing to the reason that the related agreement signed with M/s JJVL had expired in June, 2020. Any income, if arisen, shall be offered in RR at the time of FRR for the said year. Moreover, loss from sale of condensate to the tune of Rs. 1 million (i.e., 50% sharing) has been projected based on declining offtakes from Badin gas field.
- 6.10 *In view of the above, the Authority accepts the petitioner's contention, and decides to include the incomes at Rs. 4,611 million as offered by the petitioner.*

iv. Other Income

- 6.11 The petitioner has projected "other income" at Rs. 1,167 million for the said year. Comparison with previous years is given below: -

**Table 16: Comparison of Projected Other Income with Previous Years**

Particulars	Rs. in million							
	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23			Inc. / (Dec.) over RERR of FY 2020-21	
	FRR	RERR	RERR	The Petition	Transmission	Distribution & Sale	RS.	%
Interest income from KESC/WAPDA		225	-	-	-	-	-	-
Others	504	20	30	30	7	23	-	-
Income from pipeline construction	(15)	14	15	-	-	-	(15)	-
Interest income on late payment of gas bills from SNGPL	1,139	1,135	1,139	1,000	244	756	(139)	(12)
Profit on sale of fix assets	-	-	6	-	-	-	(6)	-
Income from sale of tender documents	-	6	6	5	1	4	(1)	(9)
Income from sale of net investment in finance lease	36	30	27	5	1	4	(21)	(81)
Recoveries from consumers	58	98	86	84	21	64	(2)	(2)
Liquidated damages recovered	15	70	37	42	10	32	5	13
Income from new service connections	-	762	-	-	-	-	-	-
Advertising Income	-	1	-	-	-	-	-	-
Notional income on IAS 19 provision	-	575	431	-	-	-	-	-
<b>Total Other Operating Income</b>	<b>1,738</b>	<b>2,935</b>	<b>1,776</b>	<b>1,167</b>	<b>285</b>	<b>882</b>	<b>(431)</b>	<b>(34)</b>

- 6.12 The Authority notes that the petitioner has projected other income reasonably and the same is therefore, accepted at Rs. 1,167 million for the said year.
- 6.13 The Authority, however, observes that the petitioner has treated "Notional Income on IAS-19" as non-operating without citing any justification. The Authority, per its principle decision taken in its previous determinations decides to include notional income on IAS-19 as operating income. *Accordingly, the same is provisionally included at Rs. 766 million calculated on an average rate of 14% based on the opening & closing balance data, as provided by the petitioner.*



- 6.14 *In view of the discussions & decision in paras above, the Authority provisionally includes "other operating income" for the said year at Rs. 5,377 million as against Rs. 4,611 million offered by the petitioner, as detailed below: -*

**Table 17: Summary of Other Operating Income as Allowed**

Particulars	Rs. in million	
	FY 2022-23	
	The Petition	As Allowed
Amortization of deferred credits	584	584
Meter rentals	1,726	1,726
Late Payment Surcharge	1,061	1,061
Other income	1,167	1,167
Sale of Gas condensate/LPG/NGL	(1)	(1)
Meter Manufacturing Profit	74	74
Notional Income on IAS-19	-	766
<b>Operating Revenue</b>	<b>4,611</b>	<b>5,377</b>

**7. RLNG Cost of Service**

- 7.1 The petitioner has projected Rs. 7,610 million (Rs. 17.37 per MMCF at designed capacity of 1,200 MMCFD) on account of RLNG cost of service for the said year. The breakup of the same is as under: -

**Table 18: Breakup of RLNG - Cost of Service**

<b>Total RLNG Energy in MMCF</b>
Revenue Expenditure Relating to RLNG
Depreciation
Contribution to WPPF
ROA
Cost of Supply of RLNG
<b>Cost of Supply of RLNG Rs./MMCF</b>

- 7.2 The Authority notes that the petitioner has been reporting WPPF at nil from the last couple of years in respect of RLNG business. *In view of the same, the Authority excludes the same from RLNG cost of service subject to the actualization at year end. Further, the Authority computes RLNG's ROA at Rs. 4,360 million calculated at 16.60% on average net fixed assets.* Regarding impact of HR cost relating to RLNG business segment, Rs. 3,273 million is included in the light of per para 13.6.

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7.3 In view of above, RLNG cost of service is re-worked as per table below:

**Table 19: Breakup of RLNG Cost of Service / Supply**

Description	Rs. in Million	
	Allowed	
Quantitative Data (MMCF)	438,000	
Quantitative Data (MMMBTU)	462,090	
Revenue Expenditure Relating to RLNG	3,479	
Depreciation	1,474	
Contribution to WPPF	-	
ROA	4,360	
<b>Cost of Supply of RLNG</b>	<b>9,313</b>	
Cost of Supply of RLNG (Rs./MMCF)	21.26	
Cost of Supply of RLNG (Rs./MMBTU)	20.15	

## 8. Operating Expenses

### 8.1 Cost of Gas

8.1.1 The petitioner has projected the cost of gas as Rs. 263,598 million for the said year, based on projected purchased volume and projections of international prices of crude and HSFO. The petitioner has claimed the cost of gas at Rs. 754.63/MMCF for the said year. The petitioner's cost of gas is based on the following assumptions/pricing parameters:

**Table 20: SSGCL's WACOG Parameters**

Applicable for Wellhead Gas Price	Average oil price for the period	Average C&F price		Exchange Rate
		Crude Oil	HSFO	
		US\$/BBL	US\$/M.Ton	Rs./US\$
July to December 2022	December, 2021 to May, 2022	76.6722	472.0047	186.0000
January to June 2023	June 2022 to November, 2022	95.0822	535.3847	194.0000
Averages		85.8772	503.6947	190.0000

8.1.2 The petitioner has submitted that cost of gas is based on projected wellhead gas prices, worked out on estimated average C&F price for Crude Oil at US\$ 85.88 per barrel and HSFO US\$ 503.69 per metric ton. Crude oil average prices are taken based on forecast of monthly average from Dec 2021 to Nov. 2022 applicable of the period Jul 2022 to June 2023. Regarding HSFO prices, the petitioner has explained that 2% per month escalation has been projected on DERR FY 2021-22.

8.1.3 Furthermore, the petitioner has also explained that rupee v/s US\$ parity has been kept at Rs. 190 for the said year. Twelve months (Nov. 21 to Nov. 22) forecast has been further escalated by 0.64% based on per month forecasted average trend during the said period, which has been evenly applied. In view of the above, weighted average cost of gas has been worked out at Rs. 772.60 per MMBTU for FY 2022-23 as compared to FY 2021-22 of Rs. 638.79 per MMBTU.

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- 8.1.4 The well-head gas prices on the basis of which the cost of gas is determined are indexed to the international prices of crude or HSFO per GPAs between the GOP and the producers and are notified bi-annually, effective on 1<sup>st</sup> July and 1<sup>st</sup> January each year.
- 8.1.5 The Authority has reworked the parameters for computation of WACOG for the said year based on latest trend observed in the average prices of HSFO and Crude. Wellhead gas prices effective July to December, 2022 have been reworked on the basis of actual average prices of HSFO and Crude during the period December, 2021 to May 30, 2022. The same prices have been adopted for the computation of wellhead gas prices for the period January - June, 2023 with 3% reduction. Any adjustment based on actual international prices and other factors shall be reviewed / considered at the time of RERR for the said year. Therefore, keeping in view of the trend of international oil prices and US\$ currency exchange rate and other related factor, revised parameters for computation of cost of gas at the petitioner system is as below:

**Table 21: Revised parameters:**

Applicable for Wellhead Gas Price	Average oil price for the period	Average C&F price		Exchange Rate
		Crude Oil	HSFO	Rs./US\$
		US\$/BBL	US\$/M.Ton	
July to December 2022	December, 2021 to May, 2022	99.3237	558.6076	199.3619
January to June 2023	June 2022 to November, 2022	89.4670	503.2997	199.3619

- 8.1.6 *Based on above, the Authority provisionally determines cost of gas at Rs. 278,345 million (at respective indigenous / local WACOG of Rs. 794.18/MMCF) for the said year.* The petitioner is, however, directed to submit a review petition to the Authority latest by October 15, 2022 for review of its estimated revenue requirements as required under Section 8(2) of the Ordinance, keeping in view the actual and anticipated changes in international prices of Crude, HSFO for rest of the period to November, 2022 and the trend of Rupee-Dollar exchange rate.

## 9. Unaccounted for Gas (UFG)

- 9.1 The petitioner has estimated UFG for the said year at 13.98% (49,000 MMCF) for indigenous gas. The petitioner has projected a reduction of 3.27 % in its UFG for the said year as against the actual figure of 17.25% for FY 2019-20. The petitioner has highlighted following factors which have led to increase in its UFG during the previous years;
- 9.1.1 Inaccurate planning/ forecasting of demand thereby diverting more RLNG to SSGC system;
- 9.1.2 Delay in construction of 30" dia X 125 km transmission pipeline from SMS Sindh University to Pakland owing to delay in acquisition of ROW.
- 9.1.3 UFG in Baluchistan alone accounts for around 50 % of the total UFG, where tampering / bypassing/ damaging of meters is common practice in most areas.

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- 9.1.4 Even after the commissioning of 42" dia. transmission pipeline from Pakland to Sawan, in 2018, the petitioner has been forced to resort to swapping of gas, due to limited capacity of ILBP system, to transport indigenous gas to Karachi.
- 9.1.5 Unauthorized consumption of gas in the domestic sector through makeshift connections/ tappings etc. in non-regularized/unleased/illegally occupied lands like Katchi abadis and buildings constructed on encroached lands in Karachi is on increase. The number of such non-consumers / illegal connections is currently estimated to be around 500,000 to 700,000 approximately. These illegal connections are on the rise due to the fact that Sindh Building Control Authority has prohibited the provision of legal utility services to any premises unless its Completion plan has been approved by the said Authority. This phenomenon has immensely contributed towards increase in UFG.
- 9.2 The petitioner has also highlighted following achievements/ efforts in curtailing UFG during FY 2020-21:
- 9.2.1 UFG savings recorded at 13.08 BCF as against the target of 10BCF;
- 9.2.2 Overall, 2,310 Counter Gas Theft Operations during the same period;
- 9.2.3 Filing of 99 FIRs against the alleged gas pilferers;
- 9.2.4 Enhanced network visibility through installation of right sized meters, EVCs and modems at SMSs. Custody Transfer Stations have been made 'Online'
- 9.2.5 Establishment of dedicated Police Station in Quetta, etc.;
- 9.3 With respect to issue of impact of RLNG handling and the related matter of swapping of RLNG due to delay in laying of 30" dia transmission line from SMS Sindh University (Hyderabad) to Pakland, the Authority has already addressed the issue at length in its determination of Motion for Review of FRR FY 2018-19, which is referred here as well.
- 9.4 As regards the petitioner's submission w.r.t illegal connections and issues related to SBCA, the Authority notes that the petitioner, being the Owner and Operator of its Network must not absolve itself from its prime responsibilities of protecting its assets and the gas contained therein. The petitioner is, therefore under obligation to vigorously proceed against the gas pilferers whether in Karachi or Baluchistan, in accordance with applicable laws inter alia including Gas (Theft Control and Recovery) Act, 2016, which is in field with full force and effect, so as to reduce the overall UFG in its franchise area.
- 9.5 The Authority observes that UFG benchmark at the rate of 5% was implemented for five (05) years with effect from FY 2017-18, based on the study conducted by M/s KPMG Taseer Hadi & Co. Chartered Accountants (KPMG) during 2016-17. Moreover, an allowance of 2.6% was built on account of local challenging conditions which was further linked to implementation/ progress of 30 Nos. KMIs. The local challenging conditions mainly included law & order situations & theft/ non-consumers issues. The KMIs were designed, in thorough consultation with Gas companies so as to devise a plan of action that is practically implementable and effective to control the reasons contributing toward UFG. Accordingly, multiple activities comprising rehabilitation, replacement, leak survey, segmentation, theft recoveries etc., formed a multi-pronged strategy covering all areas and aspects of utilities operations that could possibly help in reducing UFG. For the purpose, capital as well as operating expenditures were also allowed to the petitioner to undertake such jobs.



- 9.6 The Authority notes that despite the achievements claimed by the petitioner and spending of huge amounts of about Rs. 7,346 million during the last three years i.e., FY 2017-2018 to FY 2019-20 against UFG Control activities i.e., Rehabilitation of Distribution mains/ services, Segregation, Replacement of meters and installation of TBS and CP Stations etc., the overall UFG of petitioner during the above period remained dismally higher i.e., in the range of 17.10% to 17.25%. Moreover, apart from the above direct expenditure, hefty amounts against the heads of Repair and Maintenance, Plant and Machinery, SCADA, Vehicles, Computer Hardware and Software have been allowed so as to equip the petitioner to discharge its function efficiently and to amicably handle the aforementioned UFG related issues, yet the results are not encouraging.
- 9.7 The Authority is of the considered view that had the petitioner taken serious cognizance of the UFG issue in a timely and focused manner, the position would have been improved. The Authority had been facilitating the petitioner to undertake UFG Control related activities and effectively implement projects in line with KMI's to arrest growing UFG losses. The Authority has also been repeatedly advising and guiding the petitioner to set priorities and execute practically and operationally feasible projects but regrettably, the petitioner could not deliver results and meandered aimlessly to pursue certain technically unjustified claims rather than putting genuine efforts to eradicate illegal use of gas and improve system vigilance.
- 9.8 Moreover, the petitioner has projected sale volume against RLNG held stock as deemed sale for UFG working, as per prevalent policy of FG. Considering the fact that the Authority has allowed deemed sale on this account in last two years' FRR determinations, the Authority allows the claimed volume of 11,627 MMCF as deemed sale, subject to actualization at FRR stage.
- 9.9 In addition to above, the Authority notes that the natural gas market has proceeded towards liberalization, thereby making headway for segregation of regulated activities of transmission, distribution and sales as against the conventional approach of integrated scheme of natural gas supply business. In the same analogy the petitioner also submits segregated asset schedule in terms of transmission, distribution and sales activities and maintains separate accounts as well. Accordingly, the transportation tariff of both the segments is also calculated separately for each of the regulated activity.
- 9.10 It is further observed that in transmission network losses have mostly remained around 0.5 % in case of both the gas utilities for network of 9,625 KM of SNGPL and 4,143 KM of the petitioner, however, losses in the distribution segment of petitioner's network have always remained high. In this respect the Authority has always been encouraging the petitioner to take remedial, practical steps to identify the problem areas that mainly exist in the distribution network and improve its state of affairs as well, so as to arrest the increasing trend of UFG in distribution network.
- 9.11 In this regard, the petitioner appears to be taking certain measures that seems to be aligned towards reduction in UFG as per the directions of the Regulator as well as FG. OGRA is of the strong opinion that effective policies and practical steps to arrest this menace of national loss of UFG must be devised on a long-term basis to achieve the desired results. Therefore, continuity of such policies and their effective implementation is need of the hour to facilitate efficient operation of distribution network.
- 9.12 In view of the above discussions, the Authority concludes that in all fairness, UFG be also segregated in terms of transmission and distribution network and therefore,

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allowable loss for the transmission network is provisionally calculated at 0.14% based on the length of network and in case of distribution segment, the allowable losses have been provisionally calculated at 6.25 %, subject to following:

- 9.13 Findings of the ongoing UFG Audit by OGRA to determine actual UFG of gas companies in respect of indigenous as well as imported RLNG.
- 9.14 Policy guidelines from Federal Government in respect of recent amendment in OGRA Ordinance i.e. OGRA (Amendment) Act, 2022 dated 3rd March, 2022.

**Table 22: Unaccounted for Gas**

Transmission System	ERR FY 2022-23	
	As per Petition	As Calculated
Gross Purchases	350,480	350,480
Gas Consumed Internally - metered	1,041	997
Gas Available in Transmission System	349,439	349,483
Gas Consumed Internally - unmetered	144	
Gas Available (net) in Transmission System	349,295	349,483
Gas Passed to Distribution System through SMS	349,082	349,082
Loss / (Gain) in Transmission System	213	401
% Loss in Transmission	0.06%	
UFG Allowed % (Transmission)		0.14%
Allowed UFG (MMCF)		491
Invalid Claim		0

Distribution System	ERR FY 2022-23	
	As per Petition	As Calculated
Gas Received in Distribution Network	349,082	349,082
Damage by third party - unmetered	267	0
Gas Available for Sale	348,815	349,082
Gas Sales	288,816	288,816
Deemed Sales - (recovered from RLNG customer through pricing)	11,627	11,627
Total Gas Sales	300,443	300,443
Loss in Distribution System	48,372	48,639
% Loss in Distribution	13.86%	
UFG Allowed % (Distribution)		6.25%
Allowed UFG		21,818
Invalid Claim		26,821

- 9.15 The Authority further takes cognizance that effective 3rd March 2022, OGRA Ordinance has been amended to redefine LNG/RLNG as natural gas and brought under the ambit of OGRA Ordinance, which was previously treated as "Petroleum" under Petroleum Products (Petroleum Levy) Ordinance, 1961. Hence in line with the latest amendment in OGRA Ordinance, ring fencing of RLNG does not remain valid as distinction between RLNG and natural gas has been abolished. In view thereof, UFG shall be same in both cases.





9.16 *In view of the computation as per above table, the Authority provisionally allows UFG adjustment at Rs. 19,510 million at indigenous national WACOG of Rs. 727.40/MMCF) from the revenue requirement for the said year.*

**10. Gas Internally Consumed (GIC)**

10.1 The petitioner has projected GIC-metered of 1,037 MMCF for the said year. The petitioner has projected higher volumes for Liquid Handling Facility for the said year viz a viz actual figures of last six years i.e., FY 2014-15 to FY 2022-23.

10.2 *In view of the above and the historical trend, the Authority by disallowing the volume of 32 MMCF claimed against Liquid Handling Facility and keeping the volume claimed against Company own used at a level of actualized at FY 2019-20 i.e., 119 MMCF, calculates a volume of 997 MMCF GIC-metered for the said year.*

**Table 23: Detail of Gas Internally Consumed (GIC)**

Description	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2022-23	As Allowed
	FRR	FRR	FRR	FRR	FRR	FRR	ERR	DERR
Compression-(metered)	674	779	450	592	915	925	870	870
Company Own Use (m)	147	163	162	114	118	119	129.7	119
Liquid Handling Facility (metered)	3	4	0	0	0	0	31.7	0
Gas Purged (metered)	0	8	7	0	6.6	0.0	0	0
Distribution (metered)	2	1	1	7	0	5	6	8
<b>Total</b>	<b>826</b>	<b>955</b>	<b>620</b>	<b>713</b>	<b>1040</b>	<b>1049</b>	<b>1,037</b>	<b>997</b>

10.3 *In view of the above, the Authority computes the GIC at Rs. 897 million (at the rate of 794.18/MMCF) on provisional basis for the said year.*

  
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## 11. Transmission and Distribution Cost

### i. Summary

- 11.1 The petitioner has projected transmission and distribution cost (including gas internally consumed) at Rs. 22,344 million including GIC projecting an increase of 30% over RERR FY 2021-22 for the said year, as detailed below: -

**Table 24: Comparison of Projected T&D Cost with the Previous Years**

Particulars	Rs. in Million									
	FRR	RERR	Un-Audited	RERR	Actual July-Dec. 21	The Petition			Inc./Dec. over RERR FY 2021-22	
	FY 2019-20	FY 2020-21		FY 2021-22		FY 2022-23	Transmission	Distribution & Sale Activities		%
Salaries, wages, and benefits at benchmark	15,442	14,936	13,588	16,991	6,009	17,187	3,008	14,179	196	1
Repairs & maintenance	2,076	1,567	1,801	1,367	851	2,912	589	2,323	1,545	113
Meter reading by contractors	91	90	95	99	58	155	-	155	56	57
Others	134	157	130	137	54	180	56	124	43	31
Postage & bill delivery by Contractors	121	113	125	124	61	155	5	150	31	25
Stores, spares and supplies consumed	798	798	728	798	313	925	221	704	127	16
Gas bills collection charges	179	197	219	212	118	245	-	245	33	16
Professional Charges	141	129	117	140	50	62	40	119	(78)	(56)
Legal Charges	60	83	60	92	24	96	19	77	4	4
Security expenses	756	746	774	785	408	868	545	323	83	11
Electricity	281	278	248	290	125	280	91	189	(10)	(3)
Advertisement	96	120	91	123	20	118	29	89	(5)	(4)
Insurance including royalty	114	134	122	132	(7)	127	62	65	(5)	(4)
Rent, rate & taxes	202	291	209	280	114	271	31	240	(9)	(3)
Material used on consumers installations	9	39	9	36	26	20	-	20	(16)	(44)
Traveling	110	120	85	121	35	103	66	37	(18)	(15)
License & Tariff Petition Fee to OGRA	58	162	70	283	25	87	21	66	(196)	(69)
<b>Sub-total Cost</b>	<b>20,695</b>	<b>19,995</b>	<b>18,472</b>	<b>22,046</b>	<b>8,283</b>	<b>23,791</b>	<b>4,783</b>	<b>19,105</b>	<b>1,745</b>	<b>8</b>
Less: Recoveries / Allocations	2,488	2,294	1,991	2,333	791	2,333	288	2,046	0	0
Less HR cost relating to RLNG segment			215	3,089	128	-			(3,089)	(100)
<b>Net T&amp;D Cost before GIC</b>	<b>18,207</b>	<b>17,702</b>	<b>16,266</b>	<b>16,624</b>	<b>7,364</b>	<b>21,458</b>	<b>4,495</b>	<b>17,059</b>	<b>4,833</b>	<b>29</b>
Add: Gas consumed internally	644	380	862	598	379	886	886	-	288	48
<b>Net Transmission &amp; Distribution Cost</b>	<b>18,851</b>	<b>18,082</b>	<b>17,128</b>	<b>17,222</b>	<b>7,743</b>	<b>22,344</b>	<b>5,381</b>	<b>17,059</b>	<b>5,122</b>	<b>30</b>

- 11.2 Various components of operating cost are discussed in the following paras:

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**ii. Human Resource (HR) Cost**

- 11.3 The petitioner has projected HR cost to increase from Rs. 16,991 million per RERR for FY 2021-22 to Rs. 17,187 million for the said year, showing an increase of 1%. The petitioner has explained that HR benchmark cost has been worked out for the said year based on the Authority's HR Benchmark formula applied for calculation of provisional estimated HR cost for FY 2021-22. The Company has taken the HR benchmark cost base year FY 2019-20 and re-worked the projected HR Benchmark for FY 2021-22 and FY 2022-23 for calculation of rolling year base of FY 2020-21 for computation of HR benchmark on recent devised formulate i.e., 33% operating parameters.
- 11.4 The petitioner has also requested the Authority to align an estimated number of pipeline network and no. of consumers used by it while determine RERR FY 2021-22. Moreover, it was requested to allow CPI factor as part of HR benchmark. Accordingly, the petitioner has requested the Authority to allow HR benchmark cost i.e., Rs. 17,187 million for the said year.
- 11.5 The Authority observes that the petitioner has claimed HR benchmark in the light of the Authority's decision for DERR FY 2021-22. The Authority further appreciates that the petitioner has been able to maintain its budget within Authority's allowed limit. This reflects company's efforts to comply with Authority's directions. Any adjustment based on circumstances arising during the said year shall be considered at the time of FRR for the said year.
- 11.6 *In view of the above, the Authority includes Rs. 17,187 million i.e. (Rs. 13,914 million for Indigenous Plus Rs. 3,273 million for RLNG segment) on the basis of HR benchmark implemented by it during FY 2021-22, on provisional basis subject to the actualized at year end. It is, however, observed that the petitioner has not yet submitted its petition of FRR for FY 2020-21. Therefore, any adjustment based on Authority's decision shall be considered in its future determination.*
- 11.7 *In view of the above HR cost is allowed as per table below: -*

**Table 25: HR Allowed by the Authority**

Particulars	Rs. in Million		
	FY 2022-23		
	Total	Transmission	Distribution & Sales
The Petition	17,187	3,008	14,179
As Allowed for NG	13,914	2,435	11,479
As Allowed for RLNG business	3,273	-	-



**iii. Meter reading by Contractors**

11.8 The petitioner has claimed meter reading by contractors at Rs. 155 million projecting an increase of 57% over RERR for FY 2021-22 for the said year, as shown below:

**Table 26: Comparison of Projected Meter Reading by Contractors with the Previous Years.**

Particulars	Rs. in Million							
	FRR	RERR	Actual	RERR	July-Dec 2021	The Petition	Inc./(Dec.) over RERR	
	FY 2019-20	FY 2020-21		FY 2021-22		FY 2022-23	Rs.	%
Meter reading by Contractors	91	90	95	99	58	155	56	57
<b>Total</b>	<b>91</b>	<b>90</b>	<b>95</b>	<b>99</b>	<b>58</b>	<b>155</b>	<b>56</b>	<b>57</b>

11.9 The petitioner has explained that increase in the meter reading by contractor's expense is mainly due to the expected increase in the number of customers and expected revision of rates as existing contracts had already expired in July, 2020 and the same were extended up to March, 2022. The petitioner further argued that there is no provision available to it further to extend to the previous tender. In view of the same, the petitioner has requested to allow Rs. 155 million for the said year.

11.10 The petitioner has further explained that the new contract is expected to increase by more than 20% after the passage of three and half years, due to inflation as well as enhancement of scope of work i.e.; snapshots, instant surveys against nil and incentives against identifying irregularities. This will increase work quality & reading accuracies to control UFG. The petitioner has also explained that new tender is in process and expected to commence from April, 2022 with new rates.

11.11 The Authority, observes that the petitioner has been advancing similar justification from last couple of years, however, year and expenditure indicates continuation of exiting agreement. *In view of the same, the Authority decides to provisionally allow Rs. 109 million i.e., 10% increase over RERR FY 2021-22 subject to the actualization at year end as per table below: -*

**Table 27: Meter Reading by Contractors Allowed by the Authority**

Particulars	Rs. in Million		
	FY 2022-23		
	Total	Transmission	Distribution & Sales
The Petition	155	-	155
As Allowed	109	-	109

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**iv. Postage & Bill deliver by Contractor**

11.12 The petitioner has projected postage & bill delivery by the contractor at Rs. 155 million, thereby projecting an increase of 25% over RERR for FY 2021-22 which is as under;

**Table 28: Comparison of Projected Postage & Bill deliver by Contractor with Previous Years**

Particulars	Rs. in Million							
	FRR	RERR	Actual	RERR	July-Dec 2021	The Petition	Inc./(Dec.) over RERR FY 2021-22	
	FY 2019-20	FY 2020-21	FY 2021-22		FY 2022-23	Rs.	%	
Postage & bill delivery	121	113	125	124	61	155	31	25
<b>Total</b>	<b>121</b>	<b>113</b>	<b>125</b>	<b>124</b>	<b>61</b>	<b>155</b>	<b>31</b>	<b>25</b>

11.13 The petitioner has explained that the increase in bill delivery by contractor's expense is mainly due to the expected increase in the number of customers and expected revision of rates since the existing contract has expired in October, 2020 and was extended up to March, 2022 on the previous average rates.

11.14 The petitioner has further explained that new contract is expected to increase by more than 20% after passage of 3 1/4 years. The scope of work has also been enhanced to delivery of disconnected notices, FBR notices, GSD/PUG letters, GIDC instalment bills and non-customer claims. The petitioner has also explained that new tender is under process and expected to commence with new rates.

11.15 *In view of the above the Authority, considering revision in rates as well as enhanced scope of work and historical expenses, decides to allow Rs. 136 million i.e., 10% over RERR FY 2021-22 for the said year as per table below: -*

**Table 29: Postage & Bill deliver by Contractor Allowed by the Authority**

Particulars	Rs. in Million		
	FY 2022-23		
	Total	Transmission	Distribution & Sales
The Petition	155	5	150
As Allowed	136	4	132

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v. Stores Spares and Supplies Consumed

11.16 The petitioner has projected an amount of Rs. 925 million projecting increase of 16% over RERR of FY 2020-21. The breakup of the same is as under: -

**Table 30: Comparison of Projected Stores Spares and Supplies Consumed with Previous years**

Particulars	Rs. in Million							
	FRR	RERR	Actual	RERR	July-Dec 2021	The Petition	Inc./(Dec.) over RERR FY 2021-22	
	FY 2019-20	FY 2020-21	FY 2021-22		FY 2022-23	Rs.	%	
Transmission & Compression and others	188	188	221	188	67	190	2	1
Distribution	495	495	337	495	170	479	(16)	(3)
Head Office	24	24	63	24	27	74	50	208
Freight & handling	7	7	13	7	7	12	5	70
Printing & Stationery	14	14	17	14	6	25	11	79
Gas Bills Printing Charges	70	70	77	70	40	145	75	107
<b>Total</b>	<b>798</b>	<b>798</b>	<b>728</b>	<b>798</b>	<b>313</b>	<b>925</b>	<b>127</b>	<b>16</b>

11.17 The petitioner has explained that increase under this head is mainly due to extensive UFG control activities and general inflation as well as projected increase in consumption & prices of chemical products/fuel and lubricants.

11.18 The petitioner has also explained that increase under this head is due to revision of bill printing rate from Rs. 1.99 to Rs. 3 as existing contract shall expire on August, 2022. The petitioner has further clarified that a new 3-year future contract will be put in place, considering current and future inflation rates, currency exchange rates and annual growth in number of printed bills and notices.

11.19 The Authority notes that the petitioner has been advancing similar justification since many years, however, actualization does not substantiate its projections at commencement of financial year. *In view of the same, the Authority considering the petitioner's justification and inflationary trend, decides to allow Rs. 878 million i.e., 10% increase over RERR FY 2021-22 to cater for inflation & other activities for the said year as per table below: -*

**Table 31: Stores Spares & Supplies Consumed Allowed by the Authority**

Particulars	FY 2022-23		
	Total	Transmission	Distribution & Sales
The Petition	925	221	704
As Allowed	878	211	667

vi. Gas Bill Collection Charges

11.20 The petitioner has projected gas bill collection charges at Rs. 245 million, thereby projecting an increase of 16% over RERR for FY 2020-21 which is as under;



**Table 32: Comparison of Projected Gas Bill Collection Charges with Previous Years**

Particulars	Rs. in Million							
	FRR	RERR	Actual (un-audited)	RERR	July-Dec 2021	The Petition	Inc./(Dec.) over RERR FY 2021-22	
	FY 2019-20	FY 2020-21		FY 2021-22	FY 2022-23	Rs.	%	
Gas Bills collection charges	179	197	219	212	118	245	33	16
<b>Total</b>	<b>179</b>	<b>197</b>	<b>219</b>	<b>212</b>	<b>118</b>	<b>245</b>	<b>33</b>	<b>16</b>

- 11.21 The petitioner has submitted that gas bill collection charges was calculated @ Rs. 9/bill in the instant petition. The petitioner has further submitted that an increase in gas bill collection charges has been envisaged due to new connections and increase in processing /collection charges.
- 11.22 The Authority notes that the petitioner has been providing similar justification for the last many years. However, per bill rate has not yet been revised by the State Bank of Pakistan. *In view of the same, the Authority keeps the collection charges at Rs. 8 per bill, and provisionally allows Rs. 218 million on this account for the said year as per table given below: -*

**Table 33: Gas Bill Collection Charges Allowed by the Authority**

Particulars	Rs. in Million		
	FY 2022-23		
	Total	Transmission	Distribution & Sales
The Petition	245	-	245
As Allowed	218	-	218

**vii. Professional Charges**

- 11.23 The petitioner has projected professional charges for the said year at Rs. 62 million as against Rs. 48 million, projecting an increase of 29% over RERR of FY 2021-22, as show below:

**Table 34: Comparison of Projected Professional Charges with the Previous Years**

Particulars	Rs. in Million							
	FRR	RERR	Actual	RERR	July-Dec 2021	The Petition	Inc./(Dec.) over RERR FY 2021-22	
	FY 2019-20	FY 2020-21		FY 2021-22	FY 2022-23	Rs.	%	
Professional Charges	81	46	57	48	26	62	14	29

- 11.24 Regarding the sub-head "professional", the petitioner has submitted that the proposed budget is to cater for expenses related to potential assessment of executives falling in different grades, different assignments of HR consultancy, operational requirements of Accounts, Treasury, and allied departments against hiring of professional services. The petitioner has further explained that OGRA petition processing feed is also included in professional charges.



- 11.25 The Authority notes that projected expense appears to be on higher side. Further, the petitioner has not provided any detailed breakup and concrete justifications for projecting 29% increase in support of its claim. Also, actual expenditure during July – December, 2021 on this account has remained at Rs. 26 million.
- 11.26 *The Authority, in view of the insufficient justification as well as actual spending during past, decides to provisionally fix the professional charges for the said year at Rs. 48 million i.e., at the level of RERR FY 2021-22, subject to the actualization at year-end as per table given below:*

**Table: 35 Professional Charges Allowed by the Authority**

Particulars	Rs. in Million		
	FY 2022-23		
	Total	Transmission	Distribution & Sales
The Petition	62	16	47
As Allowed	48	12	36

**viii. Other Charges**

- 11.27 The petitioner has projected “Others” at Rs. 180 million for the said year as against Rs. 137 million in RERR for FY 2021-22, showing an increase of 31%, as shown below:

**Table 36: Comparison of Projected Other charges with the Previous Years**

Particulars	Rs. in Million							
	FRR	RERR	Actual	RERR	July-Dec 2021	The Petition	Inc./ (Dec.) over RERR FY 2021-22	
	FY 2019-20	FY 2020-21		FY 2021-22	FY 2022-23	Rs.	%	
Communications	63	98	38	34	15	61	27	79
Other Miscellaneous	60	125	92	103	39	119	16	15
<b>Total</b>	<b>134</b>	<b>223</b>	<b>130</b>	<b>137</b>	<b>54</b>	<b>180</b>	<b>43</b>	<b>31</b>

- 11.28 The petitioner has explained that 31% increase has been projected due to expansion in Director fees from Rs. 22 million to Rs. 35 million, as actual expenditure of around Rs. 33 million is expected in current year. The petitioner has also explained that increase is due to inflationary impact and projected of Rs. 3 million on pre-inspection for new connection by contractor.
- 11.29 The petitioner has further explained that increase has been projected on account of “communication” that is required to deploy additional network links for disaster recovery facility and launch of other value-added services, through which SSGC’s customers will receive monthly billing, lodge complaints, get status of new gas connections and history of their bills etc. also lead the other expenses to enhance from the previous years.
- 11.30 The Authority notes that the has been facing severe financial crunch. The Authority expects that the petitioner, at this juncture, shall try to avoid all its uneconomical expenditures. The Authority further notes that out of Rs. 119 million projected under the sub-head of “Other miscellaneous”, Rs. 35 million has been projected in respect of director fee i.e., around 30% share in total expenditure, which is unjustified. The

*20*

*Mas*

*APR*





Authority has been directed several times to be vigilant while conducting meetings of its directors and merge the agendas in fewer meetings with the intent to follow the austerity measures drive initiated by the FG at all levels.

- 11.31 *In view of the same, the Authority decides to restrict at the level of RERR for FY 2021-22 i.e., Rs. 137 million for the said year as per table below: -*

**Table 37: Other Charges Allowed by the Authority**

Particulars	Rs. in Million		
	FY 2022-23		
	Total	Transmission	Distribution & Sales
The Petition	180	56	124
As Allowed	137	43	94

**ix. Repair & Maintenance**

- 11.32 The petitioner has projected an amount of Rs. 2,912 million to be spent on repair and maintenance related activities including Gas transmission pipeline (Rs. 203 million), Gas distribution system (Rs. 1,949 million), Overhead leak survey by the contractor (Rs. 381 million), Plant, Machinery & Equipment (Rs. 37 million), Motor Vehicles (Rs. 99 million), Buildings (Rs. 221 million), Furniture and fixture (Rs. 4 million), Computer and Allied equipment (Rs. 80 million), Software maintenance (Rs. 267 million), Cost of services provided by PPL (Rs. 14 million) etc.

- 11.33 *The Authority, keeping in view the last year actualization i.e., FY 2019-20 against this head, allows an amount of Rs. 2,076 million against this head with the advice to remain within the allowed amount as per the items given in the attached list therein the petition.*

Particulars	Rs. in Million		
	FY 2022-23		
	Total	Transmission	Distribution & Sales
The Petition	2,912	826	2,086
As Allowed	2,076	589	1,487

**x. Remaining Items of Transmission and Distribution Cost**

- 11.34 The items of transmission and distribution costs, except those dealt with in sub-para ii to viii of para 13.2 above, are projected by the petitioner at Rs. 1,971 million for the said year, as per table below:

  
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**Table 38: Comparison of Remaining Item of Projected T&D Expense with Previous Years**

Rs. in Million

Particulars	FRR	RERR	Actual	RERR	The Petition	Inc./(Dec.) over RERR FY 2021-22	
	FY 2019-20	FY 2020-21		FY 2021-22	FY 2022-23		%
Security expenses	756	746	774	785	868	83	11
Legal Charges	60	83	60	92	96	4	4
Electricity	281	278	248	290	280	(10)	(3)
Advertisement	96	120	91	123	118	(5)	(4)
Insurance including royalty	114	134	122	132	127	(5)	(4)
Rent, rate & taxes	202	291	209	280	271	(9)	(3)
Material used on consumers installations	9	39	9	36	20	(16)	(44)
Traveling	110	120	85	121	103	(18)	(15)
License & Tariff Petition Fee to OGRA	58	162	70	283	87	(196)	(69)
<b>Remaining T&amp;D Cost</b>	<b>1,686</b>	<b>1,973</b>	<b>1,668</b>	<b>2,142</b>	<b>1,971</b>	<b>(171)</b>	<b>(8)</b>

11.35 The Authority observes that the remaining items of T&D expense have been reasonably projected by the petitioner and, therefore, provisionally accepts the same at Rs. 1,971 million for the said year.

11.36 *In view of the examination in sub-para ii to ix of para 13.2 above, the Authority provisionally allows operating cost for the said year at Rs. 18,051 million as against Rs. 22,344 million including GIC claimed by the petitioner, as follows:*

**Table 39: Summary of T&D Cost Allowed by the Authority**

Rs. in million

Particulars	FY 2021-22	FY 2022-23	As allowed		
	RERR	The Petition	Transmission	Distribution & Sale Activities	Total
HR Cost	16,991	17,187	3,008	14,179	17,187
Repair & Maintenance	1,368	2,912	589	1,487	2,076
Meter reading by Contractor	99	155	-	109	109
Others	137	180	43	94	137
Postage & bill delivery	124	155	4	132	136
Stores, spares and supplies consumed	798	925	211	667	878
Gas bills collection Charges	212	245	-	218	218
Professional Charges	48	62	12	36	48
Other Remaining T&D Cost	2,177	1,971	865	1,106	1,971
<b>Sub-total Cost</b>	<b>21,954</b>	<b>23,791</b>	<b>4,732</b>	<b>18,028</b>	<b>22,760</b>
Less: Recoveries / Allocations	2,333	2,333	288	2,046	2,333
<b>T&amp;D Cost before GIC</b>	<b>19,621</b>	<b>21,458</b>	<b>4,444</b>	<b>15,982</b>	<b>20,427</b>
Less: HR cost allocated to RLNG	(3,089)	(3,273)	(573)	(2,700)	(3,273)
<b>Net T&amp;D Cost before GIC</b>	<b>16,532</b>	<b>18,185</b>	<b>3,871</b>	<b>13,282</b>	<b>17,154</b>
Add: Gas consumed internally	598	886	864	-	897
<b>Net Transmission &amp; Distribution Cost</b>	<b>33,661</b>	<b>19,071</b>	<b>4,735</b>	<b>13,282</b>	<b>18,051</b>

*Handwritten signatures and initials: 2Q, Mas, 12/12*



## 12. Other Charges

- 12.1 The petitioner has projected under this head “other charges” for the said year at Rs. 2,836 million as against Rs. 940 million over RERR FY 2021-22 thereby projecting an increase of 120%. The historical trend is as under;

**Table 40: Comparison of Projected Other Charges with Previous Years**

Particulars	Rs. in Million						
	FRR	RERR	Actual (un-audited)	RERR	The Petition	Inc./(Dec.) over RERR FY 2021-22	
	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	Rs.	%	
Sports Club Expenses	63	55	62	60	38	(23)	(38)
Corporate Social Responsibility	60	90	7	49	13	(37)	(74)
Other/Auditor's Fee	7	25	-	25	25	-	-
Provision for Doubtful Debts	893	1,118	-	806	2,761	1,955	243
<b>Total</b>	<b>1,023</b>	<b>1,288</b>	<b>69</b>	<b>940</b>	<b>2,836</b>	<b>1,548</b>	<b>120</b>

### i. Provision for Doubtful Debts

- 12.2 The petitioner has projected under this head “Provision for doubtful debts” for the said year at Rs. 2,761 million as against Rs. 806 million over RERR FY 2021-22 thereby projecting an increase of 243%. The historical trend is as under;

**Table 41: Comparison of Projected Provision for Doubtful Debts with Previous Years**

Particulars	Rs. in Million						
	FRR	RERR	Actual	RERR	July-Dec 2021	The Petition	Inc./(Dec.) over RERR FY 2021-22
	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	Rs.	%	
Provision for Doubtful Debts	893	1,118	-	806	2,761	1,955	243
<b>Total</b>	<b>893</b>	<b>1,118</b>	<b>-</b>	<b>806</b>	<b>2,761</b>	<b>1,955</b>	<b>243</b>

- 12.3 The petitioner has requested to allow Expected Credit Loss (ECL) at Rs. 2,761 million i.e. (Rs. 1,836 million for disconnected consumers and Rs. 925 million for live consumer) in the light of International Financial Reporting Standard (IFRS)-9 for the said year. The petitioner has argued that it is statutorily obligated to comply with the requirements of the IFRS effective June 30, 2019. IFRS requires general provisioning on account of ECL based on historic data, resulting in significant additional provisioning against overdue receivable balances from live consumers, whether OGRA is allowing provisioning only disconnected customers. The petitioner has also requested to allow 100% provisioning owing to its mandatory compliance of the IFRS-9 on account of live consumers.
- 12.4 The petitioner has been repeatedly advised by the Authority to increase internal control systems, management practices and recoveries. Unfortunately, increasing trend of provision shows a dismal situation for recoveries, which does not reflect good corporate governance measures being taken by the petitioner. *In view thereof, the Authority decides to pend the entire amount on this account subject to the actualization based on*



*physically achieved efficiency in terms of reduction in litigation cases.* Moreover, the Authority observes that matter of provision for doubtful debts against live consumers has reached finality. Therefore, the same are being disallowed for the said year.

- 12.5 *Consequent upon the deduction / adjustments in various components of revenue requirement as discussed above, the Authority allows other charges at Rs. 75 million as against Rs. 2,836 million for the said year per table below:*

**Table 42: Other Charges Allowed by the Authority**

Particulars	Rs. in Million		
	FY 2022-23		
	Total	Transmission	Distribution & Sales
The Petition	2,836	18	2,818
As Allowed	75	18	57

### 13. Determinations

- 13.1 In exercise of its powers under Section 8(1) of the Ordinance and NGT Rules, the estimated revenue requirement for the said year is allowed at Rs. 290,629 million (as tabulated below):

**Table 43: Components of ERR for the said year as Allowed**

S.No	Particulars	Rs. in million	
		Claimed by the Petitioner	As allowed
1	Cost of gas sold	263,598	277,449
2	UFG adjustment	-	(19,510)
3	Transmission and distribution cost	21,458	17,154
4	Gas internally consumed	886	897
5	Depreciation	8,244	7,472
6	UFG adjustment on RLNG volume handled basis (ring fence )	(15,021)	-
7	Other charges including WPPF	2,836	75
8	Return on net average operating fixed assets	7,962	5,720
9	Additional revenue requirement for Air-Mix LPG Projects	1,373	1,373
	<b>Total Estimated Revenue Requirement</b>	<b>291,335</b>	<b>290,629</b>

- 13.2 The provisionally allowed expenses are subject to adjustments on the basis of review under section 8(2) of the Ordinance, and later after scrutiny of auditors initialled accounts of the petitioner for the said year, provided these expenses are substantiated with appropriate justification and analysis in the form acceptable to the Authority.
- 13.3 The Authority considers it important and essential to impress upon the petitioner that this provisional determination of estimated revenue requirement for the said year presupposes that the petitioner would, in any case, faithfully and with responsibility conduct its affairs in full compliance with the requirement of Rule 17(1)(h) & Rule 17(1)(j) of the NGT Rules, as reproduced below:

**Rule 17(1)(h)**

*“tariffs should generally be determined taking into account a rate of return as provided in the license, prudent operation and maintenance costs, depreciation, government levies and, if applicable, financial charges and cost of natural gas;”*



**Rule 17(1)(i)**

*"only such capital expenditure should be included in the rate base as is prudent, cost effective and economically efficient;"*

- 13.4 In view of the above, the petitioner's total operating income is estimated at Rs. 203,303 million as against the revenue requirement of Rs. 290,629 million and thus there is a shortfall of Rs. 87,326 million in its estimated revenue requirement for the said year. In order to adjust this shortfall, the Authority hereby makes upward revision of 44% (Rs. 308.58 per MMBTU) in the prescribed price on provisional basis, thereby determining at Rs. 1007.82/MMBTU for the said year (Annexure-A). Out of increase of Rs. 308.53/MMBTU, Rs. 280/MMBTU (i.e. 91%) is on account of cost of gas i.e. natural pass-through item.
- 13.5 Provisional average prescribed prices against each category of consumers for the said year in comparison with the existing sale price, are attached as Annexure-B.
- 13.6 The revised provisional prescribed prices are subject to re-adjustment upon receipt of FG advice under Section 8 (3) of the Ordinance in respect of the sale price of gas for each category of retail consumers provided that the overall increase in the average prescribed price remains unchanged so that the petitioner is able to achieve its total revenue requirements in accordance with Section 8 (6) (f) of the Ordinance."
- 13.7 The Authority, however, notes that the latest amendment in OGRA's Act has recently been notified in the official gazette after receiving assent of the President of Pakistan. The latest amendments in relevant legal provisions of Section 8(3) & (4) are reproduced below;

**Section 8(3) of the Ordinance**

The Federal Government shall, within forty days of the advice referred to in sub-sections (1) and (2), advise the Authority of minimum charges and the sale price for each category of retail consumer for natural gas for notification in the official Gazette by the Authority of the prescribed price as determined in sub-sections (1) and (2), the minimum charges and the sale prices for each category of retail consumers for natural gas.

*Federal Government shall ensure that the sale prices so advised are not less than the revenue requirement determined by the Authority.*

**Section 8(4) of the Ordinance**

If the FG fails to advise the Authority within the time specified in sub-section (3), the category wise prescribed prices so determined by the Authority under sub-section (1) and (2), as the case may be, shall be notified by the Authority as the category wise sale prices.

- 13.8 *The Authority further notes that huge amount on account of previous year shortfall has accumulated. The Authority has already requested FG to devise an appropriate policy for recoupment of this revenue shortfall.*



#### 14. General Directions

- 14.1 In addition to the directions issued by the Authority in its previous determinations, the petitioner is further directed to:
- 14.1.1 *submit a review petition to the Authority latest by October 15, 2022, for review of its estimated revenue requirements as required under Section 8(2) of the Ordinance, keeping in view the actual and anticipated changes in international prices of crude and HSFO during the period June to November 2022 and the trend of Rupee-Dollar exchange rate.*
- 14.1.2 *Board of Directors is requested to take effective measures to reduce cost of service by effectively monitoring of all input costs.*
- 14.1.3 *expedite the recovery from defaulting consumers and curtail ever-increasing expenses under the provision for doubtful debt, litigation cases and cost relating thereto.*
- 14.1.4 *To devise and implement action plan keeping in view the factors that contribute towards UFG specifically in Baluchistan. Further, the issue of low pressure of gas encountered by the consumers in the province, be addressed on priority by adopting appropriate operational measures including augmentation of its distribution network.*
- 14.1.5 *vigorously proceed against the non consumers / illegal connections of over 500,000-700,000 Nos. in Karachi, as identified by the petitioner, in accordance with applicable laws interalia including Gas (Theft Control and Recovery) Act, 2016, which is in field with full force, so as to reduce the overall UFG in its franchised area.*
- 14.1.6 *all the relevant contentions of the intervener as summarized in chapter 3 of this order be carefully noted and complied / addressed in letter & spirit under the ambit of the regulatory framework.*

#### 15. Public Critique, Views, Concerns, Suggestions

- 15.1 The Authority has recorded critique, views, concerns, and suggestions of the interveners and participants given above. The Authority, keeping in view the vehemently requests by the interveners, considers it important to draw specific attention of the FG regarding policy issues as included in chapter 3 above for due consideration.

  
Zainul Abideen Qureshi,  
Member (Oil)

  
Masroor Khan,  
Chairman

  
Muhammad Arif,  
Member (Gas)

  
REGISTRAR  
Oil & Gas Regulatory Authority  
Islamabad

Determination of Estimated Revenue Requirement of SSGCL  
Financial year 2022-23  
Under Section 8(1) of the OGRA Ordinance, 2002



**A. Computation of Estimated Revenue Requirement for the Said Year**

Particulars	Rs. in Million			
	RERR FY 2021-22	The Petition	The Adjustment	As Allowed
<b>Gas sales volume -MMCF</b>				
BBTU				
"A" Net Operating Revenues	320,640	288,816		288,816
Net sales at current prescribed price	314,911	283,040		283,040
Meter rentals				
Amortization of deferred credit	227,426	197,926	-	197,926
Sale of condensate	1,672	1,726	-	1,726
Late payment surcharge	596	584	-	584
Meter manufacturing profit	(5)	(1)	-	(1)
Notional Income on IAS-19	1,026	1,061	-	1,061
Other operating income	30	74	-	74
Total Operating Revenue "A"	431	-	766	766
"B" Less: Operating Expenses	1,345	1,167	-	1,167
Cost of gas	232,520	202,537	766	203,303
UFG Adjustment				
UFG adjustment on RLNG volume handled basis (ring fence)	247,043	263,598	13,851	277,449
Transmission and distribution cost	(13,270)	-	(19,510)	(19,510)
Gas internally consumed	-	(15,021)	15,021	-
Depreciation	16,532	21,458	(4,304)	17,154
Other charges including WPPF	598	886	10	897
Total Operating Expenses "B"	7,024	8,244	(773)	7,472
"C" Operating profit / (loss) (A-B)	940	2,836	(2,761)	75
Return required on net operating fixed assets:	258,867	282,000	1,535	283,536
Net operating fixed assets at beginning	(26,347)	(79,463)	(769)	(80,233)
Net operating fixed assets at ending				
	48,068	45,997	128	46,125
Average net operating assets (I)	46,125	70,064	(20,948)	44,015
	94,193	116,060	(25,921)	90,139
Net LPG air mix project asset at beginning	47,097	58,030	(12,961)	45,070
Net LPG air mix project asset at ending				
	2,538	2,457	-	2,457
Average net LPG air-mix assets (II)	2,457	2,464	-	2,464
	4,995	4,921	-	4,921
Net MMP at beginning	2,497	2,460	-	2,460
Net MMP at ending				
	236	255	-	255
Average net MMP assets (III)	255	229	-	229
	491	483	-	483
Net LHF (condensate) at beginning	245	242	-	242
Net LHF (condensate) at ending				
	7	7	-	7
Average net LHF assets (IV)	7	7	-	7
	14	15	-	15
Deferred credit at beginning - Assets related to Natural Gas Activity	7	7	-	7
Deferred credit at ending - Assets related to Natural Gas Activity				
	5,271	7,326	-	7,326
Average net deferred credit (V)	5,389	8,727	-	8,727
"D" Average (I-II-III-IV-V)	10,660	16,052	-	16,052
Rate of Return	5,330	8,026	-	8,026
"E" Return required	39,143	47,419	(12,961)	34,458
"F" Shortfall / (Surplus) in return required (E-C) (Gas Operations)	16.60%	16.79%		16.60%
"G" Additional revenue requirement for Air-Mix LPG Projects	6,498	7,962	(2,242)	5,720
"H" Shortfall / (Surplus) H=(F+G)	32,845	87,425	(1,472)	85,953
Increase/(decrease) in average prescribed price FY 2022-23 (Rs. / MMBTU)	942	1,373	-	1,373
"I" Total estimated revenue requirement	33,787	88,798	(1,472)	87,326
"J" Average Prescribed Price for FY 2022-23 (Rs./MMBTU)	107.29	313.73	(5.20)	308.53
	266,307	291,335	(706)	290,629
	829.48	1,013.02	(5.20)	1,007.82

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**B. Existing Category-wise Sale Price & Provisional Average Prescribed Prices for FY 2022-23**

Particulars	Existing Sale Price	Average Prescribed Price FY 2022-23
<b>(i) Domestic Consumers:</b>		
Rs./MMBTU		
Upto 50 cubic metres per month	121.00	1,007.82
Upto 100 cubic metres per month	300.00	1,007.82
Upto 200 cubic metres per month	553.00	1,007.82
Upto 300 cubic metres per month	738.00	1,007.82
Upto 400 cubic metres per month	1,107.00	1,007.82
Above 400 cubic metres per month	1,460.00	1,007.82
The billing mechanism will be revised so that the benefit of one previous /slab is available to domestic consumer (residential use.)		
Bulk Consumption		
<b>(ii) Special Commercial Consumers (Roti Tandoors)</b>		
	780.00	
Upto 50 M <sup>3</sup> per Month		
Upto 100 M <sup>3</sup> per Month		
Upto 200 M <sup>3</sup> per Month	110.00	1,007.82
Upto 300 M <sup>3</sup> per Month	110.00	1,007.82
Over 300 M <sup>3</sup> per Month	220.00	1,007.82
	220.00	1,007.82
	700.00	1,007.82
<b>(iii) Commercial :</b>		
All establishments registered as commercial units with local authorities or dealing in consumer items for direct commercial sale like cafes, bakeries, milk shops, tea stalls, canteens, barber shops, laundries, hotels, malls, places of entertainment like cinemas, clubs, theaters and private offices, corporate firms, etc.		
All off-takes at flat rate of		
	1,283.00	1,007.82
<b>(iv) Ice Factories:</b>		
All off-takes at flat rate of		
	1,283.00	1,007.82
<b>(v) Industrial:</b>		
All consumers engaged in the processing of industrial raw material into value added finished products irrespective of the volume of gas consumed but excluding such industries for which a separate rate has been prescribed.		
All off-takes at flat rate of		
	1,054.00	1,007.82
<b>(vi) Export Oriented (General Industry):</b>		
All off-takes at flat rate of		
	819.00	1,007.82
<b>(vii) Export Oriented (Captive):</b>		
All off-takes at flat rate of		
	852.00	1,007.82
<b>(viii) Captive Power:</b>		
All off-takes at flat rate of		
	1,087.00	1,007.82
<b>(ix) CNG-Region-I: (KPK, Baluchistan Including Potohar region (Rawalpindi, Islamabad &amp; Gujjar Khan)</b>		
All off-takes at flat rate of		
	1,371.00	1,007.82
<b>(x) CNG-Region-II: (Sindh &amp; Punjab (Excluding Potohar Region)</b>		
All off-takes at flat rate of		
	1,350.00	1,007.82
<b>(xi) Cement Factories:</b>		
All off-takes at flat rate of		
	1,277.00	1,007.82
<b>(xii) Fauji Fertilizer Bin Oasim Limited</b>		
(i) For gas used as feed-stock for Fertilizer		
	302.00	1,007.82
(ii) For gas used as fuel for generating steam and electricity and for usage in housing colonies for fertilizer factories		
	1,023.00	1,007.82
<b>(xiii) Power Stations</b>		
All off-takes at flat rate of		
	857.00	1,007.82
<b>(xiv) Pakistan Steel</b>		
All off-takes at flat rate of		
	857.00	1,007.82
<b>(xv) Independent Power Producers</b>		
All off-takes at flat rate of		
	857.00	1,007.82
	857.00	1,007.82





**C. HR Benchmark for FY 2022-23**

Particulars	Base Year FY 2021-22	Rs. in million		
		FY 2022-23		
	Total	NG	RLNG	Total
<b>HR BENCHMARK COST PARAMETERS</b>				
Base Cost	15,615			16,483
CPI factor				
T & D network (Km)	54,262	55,532		55,532
Number of Consumers (No.)	3,333,155	3,420,133	32,507	3,452,640
Sales Volume (MMCF)	747,670	288,816	438,000	726,816
Unit Rate (Rs./unit)				
T&D network (Rs./Km)	296,908			303,773
No. of Consumers (Rs./Consumer)	4,865			4,945
Sale Volume (Rs./MMCF)	22,900			22,046
<b>HR Cost Build-up (Million Rs)</b>				
0% Cost CPI				
33% T & D network (Km)	5,370	5,623		5,623
33% Number of Consumers (No.)	5,405	5,638	54	5,691
33% Sales Volume (MMCF)	5,708	2,123	3,219	5,342
<b>HR Benchmark Cost</b>	<b>16,483</b>	<b>13,384</b>	<b>3,273</b>	<b>16,657</b>
IAS 19	530			530
<b>Total HR cost including IAS-19</b>	<b>17,013</b>			<b>17,187</b>
<b>Cost Allocated to RLNG Segment</b>	<b>189,312</b>			<b>(3,273)</b>
<b>Total HR Cost charged to Indigenous</b>				<b>13,914</b>

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